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February 6, 2003

VIA ELECTRONIC COMMENT FILING SYSTEM

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Application by SBC Communications, Inc., et al for Provision of In-Region, InterLATA Services in Michigan, WC Docket No. 03-16

Dear Ms. Dortch:

On behalf of the Competitive Local Exchange Carriers Association of Michigan, enclosed for filing please find the Comments Opposing Application of the Competitive Local Exchange Carriers Association of Michigan, the Small Business Association of Michigan, and the Michigan Consumer Federation in the above referenced matter, pursuant to the Commission's Public Notice No. DA 03-156 of January 16, 2003. As this filing is being made via the Commission's Electronic Comment Filing System (ECFS), only the attached copy is provided.

Thank you for your cooperation in this regard.

Very truly yours,

CLARK HILL PLC

Roderick S. Coy
Leland R. Rosier

RSC:pgt
Enclosures

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SBAM
Small Business Association of Michigan
The Right Tools For Small Business

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February 5, 2003

VIA ELECTRONIC COMMENT FILING SYSTEM

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th. Street, S.W.
Washington, D.C. 20554

Re: Application by SBC Communications, Inc., et al for Provision of In-Region, InterLATA Services in Michigan, WC Docket No. 03-16

Dear Ms. Dortch:

The Small Business Association of Michigan joins with the Competitive Local Exchange Carriers Association of Michigan and the Michigan Consumer Federation on the matter of SBC's 271-authorization request to enter the Michigan long distance telephone market. We believe the SBC request is premature and that sustainable competition is not present in the SBC- Michigan service territory.

The Small Business Association of Michigan represents 7,000 small businesses located in all 83 counties statewide. Our members will benefit from the lower costs and improved services that can occur with a sustainable competitive local telephone market. While the Michigan local telephone market may have reached 20 percent competition, we believe that SBC's premature authorization to enter the long distance market will destroy Michigan's progress toward a sustainable market for local telephone competition.

For the reasons stated above as well as in our joint filing, we strongly urge the FCC to reject SBC's 271 request until such time as they have opened their lines to permit a sustainable competitive market for local telephone service.

Sincerely,

Barry S. Cargill

Barry S. Cargill
Vice President, Government Relations

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Richard D. Gamber Jr., Executive Director

February 6, 2003

VIA ELECTRONIC COMMENT FILING SYSTEM

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S. W.
Washington, DC 20554

Re: Application by SBC Communications, Inc., et al for Provision of In-Region InterLATA Services in Michigan, WC Docket No. 03-16

Dear Ms. Dortch:

On behalf of the Michigan Consumer Federation, enclosed for filing please find the Comments Opposing Application of the Competitive Local Exchange Carriers Association of Michigan, the Small Business Association of Michigan, and the Michigan Consumer Federation in the above referenced matter, pursuant to the Commission's Public Notice No. DA 03-156 of January 16, 2003. As this filing is being made via the Commission's Electronic Comment Filing System (ECFS), only the attached copy is provided.

Thank you for your cooperation in this regard.

Sincerely,

Rick Gamber

Rick Gamber
Executive Director

Enclosures

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Application by SBC Communications Inc., Michigan Bell Telephone Company, and Southwestern Bell Communications Services, Inc. for Provision of In-Region, InterLATA Services in Michigan	WC Docket No. 03-16

To: The Commission

COMMENTS OF COMPETITIVE LOCAL EXCHANGE CARRIER ASSOCIATION OF MICHIGAN, THE SMALL BUSINESS ASSOCIATION OF MICHIGAN, AND THE MICHIGAN CONSUMER FEDERATION OPPOSING APPLICATION BY SBC FOR PROVISION OF IN-REGION, INTERLATA SERVICES IN MICHIGAN

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February 6, 2003

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COMMENTS OF COMPETITIVE LOCAL EXCHANGE CARRIER ASSOCIATION OF MICHIGAN, THE SMALL BUSINESS ASSOCIATION OF MICHIGAN, AND THE MICHIGAN CONSUMER FEDERATION OPPOSING APPLICATION BY SBC FOR PROVISION OF IN-REGION, INTERLATA SERVICES IN MICHIGAN

The Competitive Local Exchange Carriers Association of Michigan ("CLECA"), the Small Business Association of Michigan ("SBAM"), and the Michigan Consumer Federation ("MCF") file these comments opposing SBC's January 16, 2003 application with the Commission for provision of in-region, interLATA services in Michigan.

The Application and brief in support claim it is "undeniable" that SBC has satisfied each of the 14 checklist requirements, that SBC has put into place state of the art OSS, and that SBC has met or surpassed 90% of the performance measures put into place.

None of this is correct. Indeed, the only thing that is "undeniable" is that SBC has NOT met the requirements of the Act for Section 271 relief. First, SBC has to rely in part on an "audit" by its financial auditors that it used as an end-run around the fact that it could not pass the BearingPoint/KPMG testing. Second, SBC's final score in the BearingPoint tests as reported to the MPSC was less than 61%, which is by far the lowest score ever given by a state commission that was recommending in favor of a Section 271 application. The MPSC's decision to accept such a failing score was a political one, clearly not based on the facts. Third, SBC has failed to demonstrate that its entry into the long distance market will benefit the public. Instead, SBC has concentrated on manipulating statistics and misleading regulators about its own finances and about the impact of its market entry on competition. Finally, SBC plans to immediately seek to increase UNE rates to above the levels of equivalent retail services as soon as it obtains Section 271 authority.

Under these circumstances, these commenters urge the Commission to deny Section 271 authorization to SBC in Michigan. In addition, as a penalty for SBC's outrageous and anti-competitive behavior, the Commission should indicate that it will not accept another Section 271 application from SBC for one year from the date of this decision.

I. INTERESTS OF THE COMMENTING PARTIES

The CLEC Association of Michigan, formed in December of 1999, is an association of competitive local exchange carriers ("CLECs") providing telecommunications services in competition with the incumbent local exchange carriers in Michigan. CLEC Association members currently include more than fifteen operating CLECs in the State of Michigan, as well as supporters of the CLEC industry. The members of the CLEC Association of Michigan are all telecommunications services providers (or organizations comprised of providers) that compete with the local telephone services offered by SBC in Michigan.

The Small Business Association of Michigan (SBAM) is a statewide trade association representing 7,000 small businesses in Michigan. SBAM's primary mission is to promote free enterprise and the interests of Michigan small businesses through leadership and advocacy.

The Michigan Consumer Federation ("MCF") is a non-profit consumer advocacy organization formed in 1992. It is the largest grassroots consumer advocacy group in Michigan. MCF represents consumer interests before the Michigan Legislature, the United States Congress, and before proceedings of state and federal regulatory agencies. MCF is a member organization of the Consumer Federation of America, the country's largest consumer coalition with nearly 300 member groups throughout the country. MCF has approximately 10,000 dues-paying individual members throughout the state of Michigan. MCF's members are served by a variety of local telephone providers, but are largely congregated within the SBC Michigan service territory.

II. SBC HAS CONTINUALLY SUBVERTED OR TRIED TO END-RUN THE TESTING PROCESS IN MICHIGAN

In February 2000, the MPSC initiated a collaborative process with CLEC input to try to resolve issues regarding SBC's compliance with the competitive checklist and to iron out deficiencies with SBC's OSS.[1] When the collaborative process began, the MPSC, SBC, and the CLECs agreed to use BearingPoint (then KPMG) to conduct rigorous, military-style tests to assure that SBC complied with the Business Rules and the Performance Measures, so that SBC could submit three months of data showing its compliance prior to obtaining MPSC endorsement of its upcoming bid for Section 271 approval from this Commission.

By mid-2002, SBC apparently concluded that BearingPoint's approach was not fast enough generally, and that SBC was unlikely to obtain a passing grade from BearingPoint on several performance measures, in particular.

As a result, like the child that wants to change the rules halfway through a game when it looks like he is losing, SBC sought to change the rules partway through this process by bringing in a new umpire: its own financial auditor, Ernst & Young. Make no mistake, Ernst & Young was brought in for only one reason: to end-run the BearingPoint report and speed its own attempt at Section 271 approval without the previously agreed to successful BearingPoint testing. As such, the MPSC erred in ever considering the Ernst & Young report.

Nor did the Ernst & Young report itself indicate that SBC was in compliance with anything. The initial Ernst & Young Report, dated October 18, 2002, was filed on October 21, 2002, and constituted little more than a farce. The initial report actually stated:

> Our examination also disclosed certain instances of material noncompliance with the Business Rules during the Evaluation Period as described in Attachment A to this report.

[1] The case was docketed as MPSC Case No. U-12320.

> In our opinion, considering the Company's interpretation of the Business Rules discussed in Attachment B and except for the material noncompliance described in Attachment A, the Company complied, in all material respects, with the Business Rules during the Evaluation Period.[2]

The initial report actually stated the circular logic that, except for the stated noncompliance the Company complied, and further based its entire evaluation on SBC's interpretation of the Business Rules. That is ridiculous on its face.

To illustrate the absurdity of the initial report, consider the following example that everyone would consider outrageous:

> The defendant has asked for an opinion as to whether he has complied with criminal laws of this state during a specified period. Our review found that he committed two felonies in March, three misdemeanors in April, and a felony in May. Our opinion is that, except for the legal violations described above and based on the defendant's interpretation of the criminal laws, the defendant complied in all material respects with the criminal laws of this state during the relevant period.

Clearly, nobody would consider such a report as even being serious, let alone allowing it to serve as the basis for evaluating the defendant's compliance with criminal laws. While this is an extreme example and is used for illustrative purposes only, the logic of the initial Ernst & Report findings is the same, and should have been rejected by the MPSC.

SBC continued with its end run on OSS testing on December 19, 2002, when it submitted supplemental Ernst & Young reports to purportedly show it is compliant with the checklist.

But, once again, the Ernst & Young supplemental report did not give SBC high marks. SBC's own submittal admitted that 17 of the 130 previously identified problems in the initial Ernst & Young's limited review had still not been corrected. And, again, although the farcical conclusion of "compliance except where not in compliance" was not repeated, the supplemental

[2] Report of Independent Accountants on the Company's Compliance With the Business Rules, October 18, 2002, which has been provided as Appendix C to SBC's Application, at Volume 18, Tab 110. [Emphasis added]

Ernst & Young report was still only a qualified opinion, still excepted all issues pending correction from the qualified opinion expressed, and still did not encompass military-style transaction testing as SBC had agreed to do. The opinion also expressly gave no opinion on SBC's compliance with the Michigan Business Rules.

The supplemental report again illustrates the rush that SBC exhibits in seeking approval before it passes the agreed-upon tests. Not only were the BearingPoint tests still incomplete (and remain incomplete to this day), but the needed corrections pointed out in the initial report by Ernst & Young were still not made. The attitude is that "Oh, we met most of our internal auditor's concerns, that should be close enough." The fact is that SBC did not get it right before, still did not get it right on the second attempt, and still has not gotten it right.

SBC's outrageous act of bringing in Ernst & Young as an end-around of the regulatory process shows its clear intent to juice the process rather than actually work to fix its remaining problems. If this is the way SBC acts in Michigan while it is trying to convince regulators to support its case for Section 271 approval, the undersigned commenters shudder to think how SBC will act following granting of the Section 271 application, when the regulatory process has very little power to force SBC to actually clean up its act. And, this was the first time, in any state in any Section 271 proceeding, that a Regional Bell company tried to bring in its own teacher to grade its test paper. The Commission should not reward failure. The Commission should deny relief, and tell SBC not to re-apply for at least one year and not until all the tests are completed successfully.

III. SBC HAS NOT MET THE SECTION 271 COMPETITIVE CHECKLIST REQUIREMENTS

A. Checklist Item 2: Access to UNEs

SBC maintains that it is in complete compliance with the Commission's UNE combination rules. SBC specifically represents that it provides access to UNEs and to UNE combinations, and further represents that it provides nondiscriminatory access to its OSS. No mention is made of SBC's strenuous efforts to have UNE combinations no longer be a federal requirement or an independent state requirement, or to the lack of efficiency of its OSS. The MPSC Report finds SBC in compliance because access to UNEs and UNE combinations is made, and passes SBC despite an OSS that does not work properly.

1. SBC Flunked the BearingPoint Tests Of Its OSS

The collective evidence of the MPSC's failure to take up and address CLEC OSS concerns in the last 2 1/2 years brought forward after the MPSC Commissioners specifically asked for them, and then almost totally dismissed by the MPSC with no action, shows a State Commission who gave lip service to Section 271 issues, but never in fact did anything to insure SBC was actually meeting the Section 271 tests.

Instead of heeding warnings by CLECs and consumers, the MPSC has somehow accepted SBC's characterizations of the BearingPoint results of OSS tests. However, as with the concerns raised by CLECs, the MPSC report ignores the real results of the BearingPoint tests. The claim by SBC Ameritech Michigan is that it met 93% of the applicable test results. Yet BearingPoint said no such thing. The key page of BearingPoint's handout at the November, 25, 2002 MPSC hearing was page 4, which showed 495 test points satisfied, out of 813 applicable test points, or only 60.9% satisfied.[3]

This score of 60.9% is the lowest score of any RBOC seeking Section 271 approval. To contrast SBC's performance compared with other states, consider the following table:

Michigan	60.9%
Kansas	80.3%[4]
Qwest States	94%
Virginia	99%[5]
New York	99.4%
Massachusetts	99.5%[6]
New Jersey	100%[7]

[3] BearingPoint, "SBC Ameritech OSS Evaluation, Presentation to the Michigan Public Service Commission," November 25, 2002, page 4.

[4] SBC's overall performance for the period July through September 2000 was 80.3 percent of established performance measures. (Report of the State Corporation Commission of the State of Kansas on Southwestern Bell Telephone Company's Compliance with Section 271, Application of SBC Communications, Inc. Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region InterLATA Services in Kansas and Oklahoma, CC Docket 00-217, (November 20, 2000), at page 18.)

[5] Verizon Virginia OSS Declaration, ¶27.

[6] Evaluation of the Massachusetts Department of Telecommunications and Energy, Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company, (d/b/a Verizon Enterprise Solutions), and Verizon Global Networks Inc., For Authorization Under Section 271 of The Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Massachusetts, CC Docket No. 00-176 (October 16, 2000), page 67.

[7] See Transcript of November 25, 2002 Public Hearing, page 5974. The Transcript is in Appendix C to SBC's Application, Volume 24, Tab 125. ("November 25, 2002 Hearing Transcript.")

There isn't a classroom in America where SBC's score would be considered passing, especially when compared with the other states. Again, SBC should not be rewarded for its failures.

2. Existing Competition in Michigan Is Linked To Continued Availability of UNE-P. If UNE-P Goes Away, So Does Competition

SBC continually argues, and the MPSC accepted, that local telephone competition is thriving and irreversibly open to competition in Michigan. The MPSC basically found that CLECs had approximately a 20% market share in the SBC territories.

But the facts of the matter began to come out at the November 25, 2002 MPSC hearing. Tom Lonergan of the MPSC Staff testified that "I know that the Commission is very concerned about the future of UNE-P... over 70 percent of the competition in Michigan is based on UNE-P. And what may happen to the competitive landscape in Michigan after the FCC acts [probably to eliminate UNE-P] is a very serious concern to the Commission in these deliberations."[8]

LDMI then responded in the latter stage of the November 25, 2002 hearing with some testimony of its own: "Tom Lonergan has pointed out that at least 70 percent of the competitive lines in Michigan are UNE-P. And if the competitors' share is 20 percent, and if UNE-P is 70 percent of that, then the elimination of UNE-P will take the competitive market share down to SIX percent".[9]

The testimony at the November 25, 2002 public hearing shows the MPSC Commissioners were well aware the FCC may eliminate UNE-P, and that this would have the effect of driving down the percentage of local lines in the hands of competition from the present 20% to a new figure of 6%, yet despite this, they cited the 20% figure as their principal reason of voting in favor of Section 271 approval. MPSC Commissioners David Svanda and Bob Nelson

[8] November 25, 2002 Hearing Transcript, pp. 6042-6043.

[9] November 25, 2002 Hearing Transcript, at p. 6054 [emphasis added].

are nationally recognized for their strong pro-competition stands before NARUC. But the failure of their deeds to match their words, as clearly demonstrated from all the above, shows the MPSC's unanimous recommendation in favor of the Section 271 application was a political one, and one the FCC must reject as not being in the public interest.

3. SBC Provides Substandard Service

Each year, the Federal Communications Commission compiles service data for Ameritech Michigan and all the other Bell companies in the U.S. The most recent data is for the calendar year 2001. The data is available at the FCC's website, www.fcc.gov. One key measure is the length of time to fix a repair problem, the "Initial Out-Of-Service Repair Interval". The FCC's results for 2001 show Ameritech Michigan at an average of 36.1 hours, as compared to 22.7 hours for all of Ameritech, 19.2 hours for BellSouth, 14.1 for Qwest, 23.6 hours for SBC's Southwestern Bell, and 21.2 hours for Verizon.

Often, problems don't seem to get fixed the first time around. So the FCC also measures "Repeat Out-Of-Service Report Intervals". For 2001, Ameritech Michigan was at 37.1 hours, versus 23.5 hours for all of Ameritech, 20.8 BellSouth, 15.8 Qwest, 24.3 Southwestern Bell, and 23.2 hours average at Verizon.

The length of time for a Bell company to complete phone installations is also very important. The FCC data for the most recent year, 2001, show Ameritech Michigan at 2.0 days average, compared to 1.2 days for BellSouth, 0.8 days for Qwest, 1.0 days for SBC's Southwestern Bell, and 1.2 days average for Verizon.

The FCC also measures State Complaints against Bell companies by customers. To make the results comparative, they measure State Complaints per 1 million lines. For the most recent year, 2001, SBC Ameritech Michigan had 425 complaints per million lines, as contrasted with 232 for BellSouth, 228 for Qwest, 181 for all of SBC, and 185 for Verizon. Ameritech Michigan had over twice the complaint average as for the Bell companies overall: the overall Bell number was 195 complaints per 1 million lines.

The FCC also conducts an annual Customer Satisfaction Survey, measuring customer satisfaction regarding installation, repair, and customer interactions with the telephone company's business office personnel. This survey is done for each of residence, small business, and large business customers. For the most recent study year, 2001, the FCC's Customer Satisfaction Survey, of Residence customers regarding installation performance, showed 14.35% of Ameritech Michigan customers dissatisfied, as compared to 11.15% at BellSouth, 6.4% at Qwest, 7.99% at Southwestern Bell, and 4.81% at Verizon.

As to how residential customers for 2001 felt about telephone company repair performance, 19.22% of Ameritech Michigan customers were dissatisfied, contrasted with 17.59% dissatisfied at BellSouth, 10.00% at Qwest, 11.67% at Southwestern Bell, and 13.44% at Verizon. Concerning residence customers and the business office, 15.65% of Ameritech Michigan customers were dissatisfied, versus BellSouth at 13.2%, Qwest at 3.2%, Southwestern Bell at 8.4%, and Verizon at 6.71%.

What about small business customers? As to installations, 14.68% of Ameritech Michigan users were unhappy, versus 9.36% BellSouth, 14.7% Qwest, 10.38% Southwestern Bell, and 9.8% Verizon. On repairs, 15.72% of Ameritech Michigan were dissatisfied, versus 9.91% BellSouth, 9.8% Qwest, 8.42% Southwestern Bell, and 11.38% Verizon. Business office: 15.72% Ameritech Michigan, 12.95% BellSouth, 6.7% Qwest, 9.38% Southwestern Bell, and 9.74% Verizon.

For large business customers and 2001, the FCC shows a similar pattern. Installations, 17.86% Ameritech Michigan dissatisfied, contrasted with 7.99% BellSouth, 10.5% Qwest, 6.75% Southwestern Bell, and 5.62% Verizon. Repairs: 18.31% Ameritech Michigan, 6.97% BellSouth, 9.9% Qwest, 6.21% Southwestern Bell, and 6.41% Verizon.

SBC takes four times as long to fix a CLEC problem in Michigan as it does on its own repair problems, as demonstrated by LDMI affidavits, yet the MPSC never took SBC to task for this, never investigated it, and has done nothing to fix it.

Consider the following testimony at the November 25, 2002 hearing by Patrick O'Leary, CEO of LDMI Telecommunications:

> "Honest mistakes happen [but with SBC Ameritech] there are far too many... my company now employs fifty individuals whose essential job title is 'SBC fixer'. Let me repeat that. At a cost of $2 million per year, we employ 50 full-time employees to repair SBC billing errors, to contact customers put out of service by SBC, and to contact those delayed by SBC service turnups. More than 1,000 times this year alone, SBC closed out an LDMI trouble ticket without fixing the problem, resulting in grief and incalculable losses for us and for Michigan businesses."[10]

Michigan customers know well that they continue to get lousy service from SBC while having the highest profits in the country. This substandard service should not be rewarded with a premature Section 271 approval.

4. SBC Cannot Properly Bill UNE-P

Despite its claims of a state of the art OSS, SBC continues to err in its billing systems for UNE-P. CLECA member LDMI reported to the MPSC on numerous UNE-P billing errors that were still outstanding in December 2002. LDMI reported that in no area has SBC provided even a basic level of accuracy at any level, at any time. Some of the illustrated errors include:[11]

- Over 58% of billing entities are billed incorrectly.
- All errors include overbilling; none involve underbilling.

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[10] Transcript, November 25, 2002 Hearing, p. 5938.

[11] See Affidavit of Mike Gleason, previously provided by LDMI to the MPSC, included as Attachment 1.

- The overall trend is that errors are increasing, not decreasing, indicating that the OSS has gotten worse.
- Billing errors include billing for lines in other states that are not even leased by the CLEC.
- Billing errors include billing for lines in a non-existent area code.

SBC is also in the process of notifying CLECs in Michigan that it intends to backbill millions of dollars of UNE-P billing going back about 18 months, all based on errors in its own systems.[12] The continual errors clearly indicate that SBC has flunked the OSS tests on UNE-P billing accuracy, and therefore the FCC should tell SBC to withdraw the 271 application on this item alone.

B. Checklist Item 7: Nondiscriminatory Access to Directory Assistance

As the commenters have indicated, the MPSC's decision to endorse SBC's entry into the long distance market appears to be politically driven rather than based on any real meeting of the checklist requirements. It turns out that the MPSC also erred in its own report to this Commission at pages 108 and 109 where the MPSC apparently concluded that SBC has priced Directory Assistance Listings (DAL) at TSLRIC rates. This issue has been pointed out to the MPSC in a Motion For Rehearing filed by WorldCom on January 24, 2003.

It is presumed that WorldCom will address this issue more fully in its own comments to the Commission, and the commenters will not make the entire argument in these comments.[13] The undersigned commenters, however, do want the Commission to know that they endorse the

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[12] See SBC Ameritech Accessible Letter CLECAM02-509, November 21, 2002, included as Attachment 2.

[13] For ease of reference with regard to the arguments in this section, a copy of WorldCom's Petition (without the attachments) is provided as Attachment 3.

WorldCom position and believe it severely undercuts SBC's position that it has met checklist item 7.

The MPSC had previously indicated that SBC's affiliate's pricing for DAL was noncompliant. Then, in its report to this Commission, the MPSC indicated that SBC filed a revised tariff in April 2002 and is now in compliance. That is not, however, the case, as WorldCom has since pointed out to the MPSC.

Briefly, the tariff referenced in the MPSC report and the rates contained therein are based on the exact same cost study regarding DAL that the MPSC rejected in August 2000. That means that SBC resubmitted a tariff that relies on a rejected cost study to support supposed TSLRIC rates for DAL. Consequently, the MPSC erred in finding that SBC met the requirement to provide DAL at TSLRIC rates, meaning that SBC has not met all of the requirements of checklist item 7.

C. Checklist Item 13: Reciprocal Compensation

SBC claims in its brief that it is "undeniable" that it has met all 14 checklist requirements. At pages 86-87 of its brief, SBC claims that it "has implemented processes accurately to account for such traffic and compensation."

This is simply not correct. First, there has been no comprehensive testing of reciprocal compensation. And for good reason. SBC would flunk any such test.

BearingPoint/KPMG did not test Ameritech's Reciprocal compensation performance. On August 16, 2002,[14] SBC sent LDMI, a CLECA member, a letter, indicating their Reciprocal compensation billing was all screwed up, and would have to be corrected. Since then, it has NOT been corrected. <u>Ameritech has flunked the test on Reciprocal compensation, and for this reason alone, per the Telecom Act of 1996, 271 approval must be denied</u>.]

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[14] See "August 16 letter" email dated August 22, 2002, Attachment 4.

LDMI was not the only CLEC to have been contacted by SBC concerning its Reciprocal Compensation billing error. TelNet Worldwide was also told of the error, as was Bullseye Telecom: Bullseye's letter was dated August 20, 2002. CoreComm received a similar letter from Ameritech, dated September 19, 2002. CoreComm provided a written response to Ameritech on October 4, 2002, directing that all additional correspondence pertaining to the commencement of back-billing be sent directly to the office of James Webber, Director – External Affairs. However, as of December 12, 2002, Mr. Webber indicated it had not seen any such correspondence, nor was aware of anyone on his staff who had.[15]

This is what the August 16, 2002 letter from SBC Ameritech Michigan to LDMI said: "Ameritech Michigan recently discovered a billing discrepancy relating to certain calls originating from UNE P's (or unbundled local switching with shared transport a.k.a. ULS-ST) purchased from Ameritech Michigan. For local calls that originated from CLEC end-users being served by UNE-P and that were terminated to Ameritech Michigan, Ameritech Michigan was not billing reciprocal compensation rates for that termination as applicable in the interconnection agreements or via the Local Exchange Tariff. <u>Effective August 1, 2002, Ameritech Michigan has implemented the appropriate modifications to its billing system to bill reciprocal compensation for this traffic being terminated by Ameritech Michigan; the invoices you receive subsequent to this notice will include the billing for this terminating traffic</u>. Ameritech Michigan will also adjust and provide a statement for past, unbilled amounts related to this traffic pursuant to the terms contained in your interconnection agreement. A separate notice will accompany this one-time true-up charge. If you have any questions pertaining to this billing correction, please feel free to contact me." The letter was signed by LDMI's Ameritech account manager. Even

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[15] See Attachment 5, an email from James Webber of December 11, 2002.

if SBC Ameritech had fixed the problem, it would have demonstrated that SBC Ameritech had flunked the test on Checklist item 13, Reciprocal Compensation. But SBC Ameritech Michigan has ***never fixed the problem***.

The "appropriate modifications to its billing system to bill reciprocal compensation for this traffic being terminated by Ameritech Michigan" apparently was NOT implemented "effective August 1", and "the invoices you receive subsequent to this notice" have NOT included "the billing for this terminating traffic."

SBC Ameritech has been mysteriously silent on the whole issue of Reciprocal Compensation since the time of the August 16, 2002 letter to LDMI. A possible reason: they recognized they had flunked this item on the Checklist, and thus had flunked the "271" overall; they did not want to draw undue attention to the issue.

Clearly, SBC has flunked Checklist Item 13, Reciprocal Compensation. The evidence submitted by LDMI, bolstered by an email from another CLEC, shows that in August 2002 SBC Ameritech sent a letter to Michigan CLECs using UNE-P, acknowledging they had a major screw-up on reciprocal compensation, and would be backbilling a year for their error. They said revised bills would be issued within two months, but they never were, and still haven't been. LDMI and, to CLECA's knowledge, other CLECs using UNE-P, have never been paid reciprocal compensation by SBC Ameritech Michigan, as required by the clear language of federal telecom act. In its decision, the MPSC mentioned and dismissed comments about a MichTel dispute (where the courts upheld a challenge by MichTel that found SBC to be using the incorrect rates), but never mentioned the lack of testing or the LDMI filing on the flunking of Checklist Item 13. We find this very discouraging that, after being advised in August 2002 of the SBC August letter to LDMI, neither the MPSC nor BearingPoint/KPMG did anything about it. Under these circumstances, it is inconceivable that this Commission can find anything other than that SBC has failed to meet Checklist Item 13.

IV. SBC HAS NOT DEMONSTRATED THAT ITS ENTRY WILL RESULT IN PROMOTING COMPETITION

A. SBC Has Not Demonstrated That Early Entry Will Benefit The Public

SBC Ameritech says the granting of the Section 271 application will result in better value for local phone service. This is at best speculation, and at worst misrepresentation. Evidence suggests that only SBC benefits from a premature grant of 271 authority, while all competing local carriers are harmed by premature entry. To the extent that all competition is harmed, the public itself is harmed as well.

An analysis directly contrary to that of SBC can be obtained by analyzing the ARMIS financial and statistical data which SBC and the other RBOCs must file annually into the FCC's ARMIS database.[16] This data shows that SBC's local telephone prices in Michigan, over the last ten years, have increased more than other RBOCs around the country. Over the last ten years, SBC Michigan's local services revenues per line have grown by over 38%, as compared to just 20% for the other four Ameritech region states. This compares to a 25% increase in the Qwest states, 22% in PacBell/SNET, and an actual REDUCTION of 7% in the Verizon states.[17] This is not a record of which Michigan can be proud.

But the FCC has another historical database against which objective comparisons on local telephone service prices can be made: compiled data on monthly residential local telephone rates in almost 100 cities around the U.S., known as the FCC's "sample cities".[18] The FCC obtains

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[16] See Exhibit ARMIS 1, which is enclosed as Attachment 6.

[17] FCC, ARMIS database (available at FCC's website), ARMIS 43-03, Table I, Account 5000, local services revenue; ARMIS 43-08, Table II, total switched access lines.

[18] Table 1.4, Reference Book of Rates, Price Indices...for Telephone Service, Industry Analysis and Technology Division, FCC, July, 2002.

the local phone prices in each of the sample cities on October 15 of each year, and the annual data has been maintained at least for the years of 1991 through 2001 inclusive. Rates include prices of the local residential phone line, touch-tone service, surcharges, 911 charges and taxes. There are three Michigan cities on the list (a reasonable number, since Michigan represents 3%-4% of the U.S. population): Detroit, Grand Rapids and Saginaw, all three of which are SBC Ameritech Michigan rate centers.

Prior to the MPSC's report, CLECA member LDMI compiled comparative data for all the cities on the FCC sample cities list, and associated it with data from the U.S. Census of 2002 for populations of each of those cities, so that appropriate population-weighted average prices could be determined.[19] The results: the average local telephone price increase, 1991 to 2001 for the Michigan cities, was 41.7%. This contrasted with an average increase for the cities in the other Ameritech states of 11.3%; and for the cities in the rest of the U.S., of 6.1%.[20] That Ameritech manipulated the Michigan legislature at the beginning of the 1990s and continuing into the late 1990s resulting in relaxed regulation and higher prices, is well known. That SBC should now be believed when it says that Section 271 approval will result in better value for local phone service would be unwise. Only true, free and vigorous local CLEC services competition can change that, and a premature grant of Section 271 authority when it is clearly not deserved or warranted will dash those hopes forever.

B. SBC Repeatedly Misleads Regulators And The Public About Its Finances And The Impact Its Entry Will Have On Toll Prices

SBC Ameritech Michigan has also argued the "271" should be granted, because they will charge lower long distance rates than the competitive long distance carriers do, and save

[19] See Exhibit ARMIS 2, which is included as Attachment 7.

[20] FCC Table 1.4, Reference Book of Rates, Price Indices... for Telephone Service, Industry Analysis and Technology Division, FCC, July, 2002.

Michiganders $1 billion per year[21]. SBC's claim is nonsense and is completely unsupported by SBC's history in Michigan regarding intraLATA toll rates. In fact, SBC's toll prices for intraLATA calling are on average about 60% higher than its competitors'. SBC's local phone rates are still high.

And, despite repeated public claims of declining revenues, SBC Ameritech's profits [in Michigan] are up by 120% over the last decade, at the same time that long distance competitive carriers have reduced their prices by two-thirds over that same time period.

Again, the best place to look is at ARMIS data. ARMIS data indicates that the RBOCs generally have seen a substantial reduction in their intraLATA toll revenues in the last ten years. They have had to cut their price per minute as intraLATA toll competition has arrived, and have experienced further losses as customers have kept their local phone lines with the RBOC but moved their intraLATA toll to a competitor. The results of this were again compiled by LDMI for the MPSC. [22] Over the last ten years, BellSouth's toll revenues per line have declined by 78%, Qwest's by 86%, SWBT's by 70%, PacBell/SNET by 65%, and Verizon by 59%. But SBC Ameritech Michigan has seen a toll erosion per line of only 30%, lower than any other RBOC, and lower than the remaining Ameritech states.[23]

What has caused this truly stellar performance in the long distance pricing area by SBC Ameritech Michigan? (1.) Ameritech Michigan delayed the implementation of intraLATA dialing parity through years of outrageous court delays; and more importantly, (2.) <u>through a</u>

[21] SBC handout at November 25, 2002 hearing before the MPSC, "SBC Ameritech and 271 Long Distance Approval – Good for Michigan", page 13.

[22] See Exhibit ARMIS 3, "Comparative Toll Revenues Per Line", for SBC Ameritech Michigan, as contrasted to the rest of SBC Ameritech, to SBC SWBT [Southwestern Bell Telephone Company], to SBC PacBell/SNET, and to BellSouth, Qwest, and Verizon, included as Attachment 8.)

[23] FCC, ARMIS, 43-03, Table I, Long Distance Network Services Revenues (Account 5100); 43-08, II, total switched access lines.

scheme of anticompetitive long-term contracts (AVCP, followed by ValueLink and then by CompleteLink) Ameritech Michigan has held intraLATA long distance customers captive.[24]

And how have these actions been manifested? For the calendar year 2001 -- the most recent FCC data available -- Ameritech Michigan had toll revenues of $459 million -- almost half a billion dollars a year. This number, for the state of Michigan alone, was larger than the toll revenues of BellSouth for all nine of its states, combined. It was larger than the toll revenues of SWBT, for all five of its states, combined. And it was almost twice the toll revenues of Qwest, for all 14 of its states, combined. And yet, Michigan represents only 4% of the country's population, and SBC Ameritech Michigan's monopoly territory only covers 80% of population in Michigan.[25] And, even though SWBT has been granted interLATA toll authority for many of its states, in 2001, Ameritech Michigan had 27% more toll revenue than for all five SWBT states combined -- despite all that SWBT interLATA toll revenue.

In 2001, per ARMIS, Qwest had average annual long distance revenue per line of $15.48. The comparable number for SBC Ameritech Michigan: $95.51 per line. The figures for the other RBOCs: BellSouth, $17.12; SWBT, $25.07; Verizon, $33.64; the remainder of Ameritech states, $38.53.

The investment firm of Bear, Stearns & Co. met with SBC management in New York on September 10, 2002. In that meeting, SBC was extraordinarily candid regarding its plans. Specifically regarding SBC's plans on long-distance pricing, Bear Stearns noted the following: "No Anticipation of a Price War in Consumer Long Distance. SBC indicated (and we have

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[24] CLECA has asked the MPSC to take action against the anticompetitive CompleteLink contracts of Ameritech, but the MPSC has done nothing. CLECA has asked the MPSC to take action to declare a "fresh look" period in Michigan, but the MPSC has done nothing.

[25] As noted by Ameritech in its former 10Qs and 10Ks, filed quarterly and annually for Michigan Bell Telephone Company with the SEC, through mid-year 1998.

observed) that RBOC pricing [of long-distance] is in-line or higher than the IXCs' [CLECs and long distance companies]. Management believes that its ARPU and MOU will be relatively stable as the company penetrates markets where it has section 271 relief."[26]

Nor is SBC's track record an indication of lower prices. In Texas in 1991, SBC hiked residential long-distance rates from 9 cents to 10 cents per minute, and upped DSL rates from $39.99 to $49.99. The long distance rate hike "highlights the fact that SBC feels they are in control and they can set the price", said Gary Jacobi, an analyst with Deutsche Banc Alex.Brown. Said the Dallas Morning News, "The new rates drew criticism from consumer advocates who said the increases prove that... Southwestern Bell has no credible competitive threat to its consumer business.... Southwestern Bell started selling long distance in July [2000] after persuading the Texas Public Utility Commission and the Federal Communications Commission that the local phone market in Texas was open to competition."[27]

But that wasn't the end of Texas increases. Effective November 2002, local phone rates in 32 SBC Texas cities were increased: residential phone rates now as high as $11.05 per month, and business rates as high as $20.65 per month. Additionally, SBC is seeking to apply an additional $143 million in retroactive price increases.[28] Meanwhile, SBC in Kansas in late 2001 raised residential local phone rates an average of $1.77 per month.[29] Moving on to Missouri,

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[26] Robert Fagin and Mike McCormack, "Highlights From Meeting With SBC Management", Bear, Stearns & Co. Inc. Equity Research, September 10, 2002 (See Attachment 9) [emphasis added].

[27] Vikas Bajaj, Staff Writer, "SBC raises nonlocal call rates", The Dallas Morning News, February 2, 2001. See Attachment 10.

[28] "Southwestern Bell Raises Local Phone Rates", Public Utilities Commission of Texas News Release, October 24, 2002. See Attachment 11.

[29] "KCC rebalances long distance access charges and local service rates", Kansas Corporation Commission News Release, September 25, 2001. See Attachment 12.

effective May 2002, SBC increased some business long-distance rates by as much as 40 percent, and increased rates on 120 different phone services like Call Waiting by up to 8 percent.[30]

In short, the FCC data shows that SBC Michigan's profit margin is the highest of any Bell company in the nation; that its local phone prices have increased the most in the last 10 years of any Bell company; that its intraLATA toll prices are the highest in the nation, and that SBC is unlikely to offer significant savings to long distance customers. This evidence gives the lie to SBC's claim that getting Section 271 approval will allow it to bring down toll prices in Michigan. The clear import of the record, and SBC's history in Michigan, suggests that there will be no significant benefit to long distance users in Michigan from a grant of Section 271 status to Ameritech.

C. SBC Has, Waiting In The Wings, A UNE Price Increase That Would Destroy Competition In Michigan

Under the express statutory language of Sections 251 and 271 of the Act, the existence of final forward looking, cost-based UNE pricing is a critical component in any Section 271 compliance analysis.[31] While "permanent" UNE rates have been established in Michigan, SBC/Ameritech has lost no time in seeking significant increases in those rates, rates that SBC/Ameritech now proposes must be established at more than double its retail rates.[32]

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[30] "Southwestern Bell Proposed Tariffs To Take Effect May 6", PSC News, Missouri Public Service Commission, May 1, 2002. (See Attachment 13)

[31] See In the Matter of Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State New York, Memorandum Opinion and Order, CC Docket No. 99-295, FCC 99-404 (Dec. 22, 1999) at para. 237.

[32] In the Matter of the Application of SBC Ameritech Michigan for Approval of Revised Cost Studies Related to Certain Telecommunications Services, Case No. U-13518, and In the Matter, on the Commission's Own Motion, to Review the Costs of Telecommunications Services Provided by Ameritech Michigan, Case No. U-13531, Application of SBC Ameritech Michigan

Although the incumbent's Application has been dismissed with prejudice by the MPSC,[33] SBC/Ameritech's challenges to current UNE pricing, and the potential result of such challenges, create an untenable position for competitors and further brings SBC/Ameritech's *present* and ongoing compliance with the Act into grave question.

SBC/Ameritech now claims, in a seeming revelation, that it is selling its local telephone lines to competitors on a below-cost basis. This revelation comes on the heels of a lengthy proceeding in which SBC/Ameritech's own data were evaluated by the MPSC when establishing UNE rates pursuant to FCC costing methodology. Interestingly, SBC/Ameritech and other incumbents were previously unsuccessful in appealing the pricing methodology to the FCC and subsequently to the courts, claiming the FCC's pricing methodology resulted in below-cost pricing. In May 2002, the U.S. Supreme Court rejected the Bells' arguments.[34] Yet, that does not prevent SBC from repeating the claims.

To ensure that meaningful competition indeed develops in Michigan, and for SBC/Ameritech to be found compliant with the Act's public interest standard, the Commission must find that in addition to meeting its market opening obligations, SBC/Ameritech has adopted forward looking TSLRIC-compliant rates. Such rates must be within a range that reasonably permits UNE-based competition, particularly in the residential market. It is crucial that permanent UNE rates avoid the "price squeeze" concerns raised in the U.S. Court of Appeals for the District of Columbia Circuit ruling on the Kansas and Oklahoma Section 271 cases.[35]

For Approval of Revised Cost Studies Related to Certain Telecommunications Services, Case No. U-13518.(August 30, 2002).

[33] Id. Order (September 16, 2002).

[34] U.S. Supreme Court, Verizon et al v. FCC, 122 S.Ct. 1646 [May 2002].

[35] Id. at 554-55. Those concerns focused on state-approved UNE rates, relied upon by the FCC, that were so high that competitors faced a price squeeze, i.e., competitors could not buy UNEs from SBC and compete in the residential market.

In conjunction with the Commission's dismissal of SBC/Ameritech's August 30, 2002 UNE rate application, the Commission opened Case No. U-13531. This proceeding is intended to consider subsequent SBC/Ameritech's challenges to existing UNE costs structures, thus opening a door to significant changes in UNE rates that could ultimately, if adopted as proposed, economically preclude competitors from effectively utilizing UNEs to serve competitors, and drive companies such as LDMI out of the local market. That this proceeding has now been opened, the "permanence" of SBC/Ameritech's UNE rates remains in question, and SBC/Ameritech cannot be found in compliance with Checklist item 2.[36]

The incumbent's demonstrated intent to challenge Commission-established pricing methodologies and costs, particularly given that the Commission itself has now opened a new pricing proceeding, means that there are no established UNE rates on which competitors may rely. At a minimum, no Commission endorsement of SBC/Ameritech's interLATA market entry should be considered until SBC/Ameritech's cost challenges have once and for all been concluded and not subsequently challenged.

V. CONCLUSION

SBC/Ameritech has not made its case for interLATA market entry. Independent tests of the incumbent's OSS similarly conclude numerous issues which must be resolved. These deficiencies are sufficient cause for rejecting SBC/Ameritech's application. Moreover, the Company's failure to meet the Act's "Competitive Checklist," most conspicuously through challenges to current UNE pricing coupled with its recalcitrant and anti-competitive behavior, clearly demonstrate that SBC/Ameritech has not met its obligations. SBC/Ameritech's compliance failures are exacerbated by the absence of a Commission-adopted performance plan

[36] SBC has since indicated it will file for new rates at the end of first quarter 2003, or soon thereafter.

that can be relied upon by competitive local exchange carriers to create sufficient incentives for the incumbent to continue meeting its obligations after 271 authority is granted. These significant failures do not warrant favorable Commission endorsement. Indeed, the evidence shows that SBC should be denied interLATA market entry for a one year period, until UNE rates that will not be challenged are established, until a performance assurance plan is adopted, and until SBC/Ameritech's compliance records is capable of carrying the weight of SBC/Ameritech's assertions.

The Commission should deny SBC's Application in its entirety. In addition, as a penalty for SBC's outrageous and anti-competitive behavior, the Commission should indicate that it will not accept another Section 271 application from SBC for one year from the date of this decision.

Respectfully submitted,

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Dated: February 6, 2003

ATTACHMENT 1

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission's own motion, to consider AMERITECH MICHIGAN's compliance with the competitive checklist in Section 271 of the Federal Telecommunications Act of 1996.	)))))	Case No. U-12320

AFFIDAVIT OF MIKE GLEASON

Mike Gleason, being duly sworn, deposes and says that:

1. My name is Mike Gleason. I am the Manager for Access Management for LDMI Telecommunications. My business address is 8801 Conant Street, Hamtramck, MI 48211-1403. In my position I deal directly with the rate elements and billing of UNE-P products that LDMI purchases from SBC Ameritech Michigan.

2. I have personal knowledge of the facts contained herein, except as to matters stated as being based upon information and belief, and as to these matters, I believe them to be true. If called as a witness, I can competently testify to the matters stated herein.

3. The purpose of my affidavit is to refute allegations that SBC Ameritech Michigan has successfully passed the OSS tests in Michigan, with respect to billing accuracy, as provided to CLECs.

4. In my opinion, based on my experiences in dealing with Ameritech Michigan billing over the last two years or more, in no area have they provided sufficient accuracy. We have, unfortunately, been forced to engage in billing disputes regarding local resale, directory assistance, UNE-P and other areas of billing. In none of these areas has Ameritech Michigan provided even a basic level of accuracy, at any time.

5. This affidavit will focus on LDMI's main area of local billing, that of UNE-P, for several reasons. First, UNE-P is the principal local service of Ameritech Michigan utilized by LDMI. Second, I don't want to make this affidavit longer than it needs to be, by listing each and every billing error on every portion of our service. And third, because you will see that the Ameritech Michigan billing errors on UNE-P to LDMI are so significant and serious that going further would serve no purpose.

6. The attached spreadsheet, Exhibit 1 to my affidavit, describes Ameritech Michigan's UNE-P billing errors. The Exhibit describes the Ameritech Michigan UNE-P billing to LDMI for the bill dated November 18, 2002.

7. As illustrated in the spreadsheet, LDMI was billed on November 18 for 15 different kinds of local loops, eight different kinds of ports, and six different kinds of per-minute or per-call usage items. This totals 29 different billing items, of which 21 were billed correctly and eight were billed incorrectly. But each of those billing items has anywhere from one to millions of billing quantities assessed against it. And, as the spreadsheet shows, LDMI was billed a total of 120,338,640 billing entitites, of which an incredible 69,381,293 were billed incorrectly. So, of the total, some 58.03% were billed incorrectly.

8. It is significant to note that these were not customary errors in the industry, with some items underbilled, and some items overbilled. Each and every one that was in error was overbilled. The most egregious overbilling occurred with ULS-Usage for ULS-ST, per orig & term MOU. This item started to be incorrectly billed in the billing for the month of May 2002.

9. I first reported the ULS-Usage for ULS-ST, per orig & term MOU billing error problem to Ameritech in May of 2002. The problem has recurred monthly ever since then, and I have reported the problem to Ameritech regularly. Ameritech responds with various stories. But last month, they told us the problem had been fixed, and that our November 2002 invoice would be delivered without error. However, the problem was not fixed on the November, 2002 invoice.

10. Nor was this the first billing error on LDMI's UNE-P invoices. LDMI has had significant billing errors from Ameritech since the inception of our UNE-P service, over 18 months ago. It takes months and months after we report errors for Ameritech to respond to them, and by the time they fix a problem, many other problems have developed.

11. And, over the last year or so, as I have continually reported problems and as Ameritech sometimes after a period of months fixes a problem, the overall trend in the percentage of billing entities billed incorrectly has more than tripled. Ameritech Michigan has not exhibited any incentive or desire to fix the problems. They don't seem to care. All of these problems could be fixed in a matter of days, if Ameritech Michigan really cared about the problems.

12. New problems have surfaced as well. In the last month or so, Ameritech Michigan has begun billing LDMI for UNE-P lines and usage located in the states of Wisconsin and California. This is improper because Ameritech Michigan should only be billing for Michigan UNE-P lines and usage; the lines and usage for the other states should be billed by Ameritech Wisconsin and Pacific Bell, respectively. Moreover, LDMI does not have any UNE-P lines in Wisconsin or California.

13. Another new problem that has surfaced is that Ameritech Michigan has begun billing LDMI for UNE-P lines located in an area code (NPA) that does not exist. These newest problems demonstrate that Ameritech Michigan's OSS systems lack the proper controls, edits and exception procedures to insure that errors of this kind do not continually slip through.

14. Another problem that has surfaced is that Ameritech changes how they attempt to bill reciprocal compensation under UNE-P. This is the text of the August 16, 2002 letter that LDMI received from its Ameritech account manager, disclosing a major Ameritech billing error on UNE-P regarding reciprocal compensation:

"Ameritech Michigan recently discovered a billing discrepancy relating to certain calls originating from UNE P's (or unbundled local switching with shared transport a.k.a. ULS-ST) purchased from Ameritech Michigan. For local calls that originated from CLEC end-users being served by UNE-P and that were terminated to Ameritech Michigan, Ameritech Michigan was not billing reciprocal compensation rates for that termination as applicable in the interconnection agreements or via the Local Exchange Tariff. Effective August 1, 2002, Ameritech Michigan has implemented the appropriate modifications to its billing system to bill reciprocal compensation for this traffic being terminated by Ameritech Michigan; the invoices you receive subsequent to this notice will include the billing for this terminating traffic.

"Ameritech Michigan will also adjust and provide a statement for past, unbilled amounts related to this traffic pursuant to the terms contained in your interconnection agreement. A separate notice will accompany this one-time true-up charge."

"If you have any questions pertaining to this billing correction, please feel free to contact me."

This completes my affidavit.

Michael Gleason

Michael Gleason
Manager of Access Management
LDMI Telecommunications, Inc.

Subscribed and sworn to before
me this 26 day of Nov, 2002.

Laura Czarnowski

Notary Public

LAURA CZARNOWSKI
Notary Public, Wayne County, MI
My Commission Expires Dec. 28, 2005

_______ County, Michigan

My commission expires: ____________

ATTACHMENT 2

SBC Ameritech

Accessible

Date: **November 21, 2002**

Number: **CLECAM02-509**

Effective Date: **January 2003**

Category: **UNE/UNE-P**

Subject: **(BILLING) Explanation of Billing Database Reconciliation and Changes to the CSR Content for the UNE-P Accounts in the Ameritech States**

Related Letters: **CLECAM01-148, CLECAM01-189, CLECAM01-236, CLECAM01-397, CLECAM01-017, CLECAM01-163**

Attachment: **No**

States Impacted: **Ameritech Region**

Response Deadline: **NA**

Contact: **Account Manager**

Conference Call/Meeting: **NA**

This Accessible Letter provides an update to Accessible Letters **CLECAM01-148** dated May 18,2001, **CLECAM01-189** dated June 29, 2001, **CLECAM01-236** dated August 13, 2001 and **CLECAM01-397** dated December 19, 2001, **CLECAM02-017**, dated January 11, and **CLECAM02-163**, dated April 26, 2002.

This is to advise you that SBC Ameritech will perform a reconciliation of the CABS billing database for UNE-P during the month of January 2003. This reconciliation is a post-implementation, quality assurance validation process to ensure synchronization of the CABS billing and provisioning databases. At the same time, we will also add the non-billable features back to the CABS Customer Service Records (CSRs).

Please note that, as explained in Accessible Letter **CLECAM02-163** dated April 26, 2002, SBC Ameritech removed non-billable UNE-P feature codes from CABS in June, 2002. SBC notified CLECs that the removal of these was temporary. The removal of these features should not have interfered with your ordering or provisioning processes but did assist SBC Ameritech with more expeditious updating of CABS.

The process that will be used to re-populate the non-billable UNE-P features will also allow SBC Ameritech to validate and reconcile data between SBC Ameritech's provisioning and billing databases to further ensure accurate billing. Should circuits be added or deleted from your accounts, appropriate Other Charges and Credits (OC&C) Statements will be generated to properly reflect the billing. UNE-P CABS bills generated after the reconciliation will reflect these OC&C Statements, as well as the non-billable features on the accompanying Customer Service Record.

The Account Managers will be contacting impacted CLECs beginning in December 2002, to discuss the estimated financial impact of this reconciliation as well as effective dates for updated bills. Please contact your Account Manager with any specific questions or concerns regarding the process. The Local Service Center will continue to serve as your single point of contact for issues related to the bills themselves.

ATTACHMENT 3

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, to consider **AMERITECH MICHIGAN's** compliance with the competitive checklist in Section 271 of the federal Telecommunications Act of 1996.	)))))	Case No. U-12320

WORLDCOM PETITION FOR REHEARING WITH RESPECT TO RATES CHARGED FOR DIRECTORY ASSISTANCE LISTINGS

MCImetro Access Transmission Services LLC, Brooks Fiber Communications of Michigan, Inc., and MCI WorldCom Communications, Inc., (hereinafter individually or collectively referred to as "WorldCom" or "MCI", unless indicated otherwise by context), hereby submits its petition for rehearing of the Commission's January 13, 2003, order in this matter with respect to rates charged for directory assistance listings.[1]

INTRODUCTION

In addressing the standards for a rehearing, the Commission has stated as follows:

> Rule 403 of the Commission's Rules of Practice and Procedure, 1992 AACS, R 460.17403, provides that a petition for rehearing may be based on claims of error, newly discovered evidence, facts or circumstances arising after the hearing, or unintended consequences resulting from compliance with the order. A petition for rehearing is

[1] WorldCom considers this present petition to be part one of a possible two part petition. The deadline for filing petitions for rehearing from the January 13, 2003 order is February 12, 2003. However, the Commission's comments to the FCC are due February 6, 2003. Accordingly, this present filing is being submitted earlier than required so as to allow the MPSC an opportunity to correct a clear error in its report prior to submission to the FCC with respect to the pricing of DAL, or to at least allow the MPSC to correct this clear error by a supplemental filing with the FCC in an expedited manner. WorldCom may submit other issues for rehearing within the time allowed for filing for rehearing.

> not merely another opportunity for a party to argue a position or to express disagreement with the Commission'sdecision. Unless a party can show the decision to be incorrect or improper because of errors, newly discovered evidence, or unintended consequences of the decision, the Commission will not grant a **rehearing.**"[2]

Based on these standards, WorldCom seeks rehearing with respect to the extent to which the January 13,2003 Commission order in this matter approved or endorsed that portion of the January 13,2003 Report Of The Michigan Public Service Commission ("Commission Report" or "Report") at pages 108-109 where it apparently concluded that SBC has priced Directory Assistance Listings (DAL) at TSLRIC rates. To the extent to which the Commission's order of January 13,2003, adopted with approval the Commission's Report in this regard, WorldCom seeks rehearing.

The pertinent portions of the Report which are at issue state as follows:

> 3. <u>Pricing of Access to DA Listings</u>
>
> WorldCom complains that SBC does not offer DA listings at TSLRIC rates. It points out that SBC does not have a Commission approved cost study for DA listings. In fact, WorldCom argues, SBC's argument that it did not have an obligation to provision unbundled DA listings persuaded the Commission to defer issuing a DA listing costing decision in Case No. U-11831. Thus, WorldCom argues, it is SBC's fault that it has no currently approved cost study for DA listings. WorldCom asserts that its ability to access the DA listing database at reasonable and nondiscriminatory prices is essential to its ability to compete. In WorldCom's view, pricing DA listings at TSLRIC would meet those criteria. It argues that under Michigan law, DA and DA listings are required to be priced at TSLRIC.
>
> SBC responds that the Commission should reject WorldCom's claim that DA listings should be priced at TSLRIC. It argues that WorldCom's suggestion **was** rejected in the UNE Remand Order, in which the FCC recognized DA listings as a competitive wholesale service and declined to expand the definition of DA to include

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[2] ***In the matter of the petition of the MICHIGAN PAY TELEPHONE ASSOCIATION to initiate an investigation to determine whether Michigan Bell Telephone Company, d/b/a Ameritech Michigan, and GTE North Incorporated are in compliance with the Michigan Telecommunications Act and Section 276 of the Communications Act of 1934, as amended,*** Case No. U-11410, 1998 Mich. PSC LEXIS 75, February 25, 1998, p. 2.

DA listings or to require DA listings to be provided at forward-looking prices. Moreover, SBC asserts, the FCC has approved Section 271 applications for states in which SBC's affiliate charges market-based rates for access to DA listings.

The Commission in its December 20,2001 order in this case found that SBC read too much into the cited portion of the UNE Remand Order. In the cited paragraph, the FCC declined to "expand the definition of OS/DA . . . to provide directory assistance listing updates in daily electronic batch files . . . [because] the obligations already exist under Section 251(b)(3), and the relevant rules promulgated thereunder." Specifically, 47 CFR 51.217(c)(3)(i) requires that an ILEC permit CLECs to have access to the ILEC's "DA services, including directory assistance databases . . . on a nondiscriminatory basis . . ."

The FCC further referenced its prior Directory Information Listing Order, in which the FCC reaffirmed its previous conclusions that incumbent LECs must provide DA listing access equal to that which they provide themselves. It stated that "any standard that would allow a LEC to provide access to any competitor that is inferior to that enjoyed by the LEC itself is inconsistent with Congress' objective of establishing competition in all telecommunications markets." The Commission found that the requirement to provide nondiscriminatory access to DA listings required that it be provided at cost-based rates consistent with Case No. U-11831 parameters, and on a basis equal to that which the incumbent provides itself. In other words, SBC must permit CLECs to access the DA listings electronically and to order directory listings in an electronic format.

As to SBC's claim that the FCC found DA listings to be a competitive wholesale service, the Commission found in its December 2001 order that the FCC conclusion relates only to ILECs that provide customized routing. The Commission previously found that SBC did not provide reasonable customized routing. Moreover, although the FCC may have approved Section 271 applications for states in which the incumbent charged market rates for DA listings, SBC does not cite a particular portion of those orders discussing the issue. If an issue was not raised in a case, the FCC's failure to reject the application on that basis does not carry persuasive weight in the Commission's determination in this case.

The December order found that the prices were noncompliant. SBC filed a revised tariff in April 2002, and is now compliant with the Commission's requirements in this area.[3]

The tariff which SBC filed in April 2002 is not of record in this proceeding. No notice has been given to participants in this proceeding of this April 2002 tariff filing. This April 2002 SBC tariff filing, which only came to the attention of counsel for WorldCom after the Commission Report

[3] Commission Report, pages 108-109 (footnotes deleted).

was issued, references that it was issued as a result of the proceedings in SBC's last TSLRIC case (Case No. U-11831), but SBC also failed to serve notice of this tariff filing to parties of record in Case No. U-11831. Also, the rates contained in this tariff filing are based on the exact same December 16, 1999 SBC cost study regarding DAL which this Commission rejected in its August 31, 2000 order in Case No. U-11831. Accordingly, since SBC is relying upon a rejected cost study to assert TSLRIC rates for DAL, and since there is absolutely no record of evidence in this proceeding to show that SBC's rates for DAL comply with TSLRIC, the Commission must grant rehearing on this issue and find that SBC still fails to provide TSLRIC rates for DAL.

THE COMMISSION HAS ALREADY REJECTED THE COST STUDY UPON WHICH THE APRIL 2000 TARIFFED DAL RATES ARE BASED

The Commission has already rejected the cost study upon which the April 2000 tariffed DAL rates are based. The Attachments to this Petition help to explain the chronology of events.

WorldCom witness Michael Starkey submitted an affidavit dated April 1, 1999 in Case No. U-11831 (excerpts of the public version are attached as Attachment "A") which addressed the pricing of DAL. In this filing Mr. Starkey noted that SBC did not offer TSLRIC based pricing for DAL in Michigan. He also noted that the rates that SBC offered for DAL are significantly higher than the TELRIC rates for DAL offered in other states. For example, the SBC Michigan initial load per listing rate of $0.0280 was 329% higher than the corresponding rate in New York and 2545% higher than the corresponding rate in Texas. The SBC Michigan rate for DAL updates, per listing, of $0.0362 was 646% higher than New York and was 2586% higher than the corresponding rate in Texas.

Michael Starkey on July 17,1999 in Case No. U-11831 filed an additional affidavit (excerpts of the public version are attached as Attachment "B") which addressed the SBC "Advanced Dialing Parity DA Listings Product" cost study which had been served on WorldCom two weeks prior in that docket. Mr. Starkey showed how this study was inadequate and in how that SBC study did not treat DAL as a UNE.

On November 16, 1999, this Commission issued an order in Case No. U-21831 which addresses the pricing of DAL. Pertinent excerpts are attached as Attachment "C". In this order, at page 38, the Commission rejected SBC's approach to DAL costing and stated: "Ameritech Michigan shall file cost studies for directory assistance listings database and unbundled network element combinations with its compliance filing. Ameritech Michigan must provide these services to CLECs and accordingly must provide cost data. A failure to file required studies in future proceedings may result in the imposition of penalties."

SBC on December 19,1999, in Case No. U-11831 made a confidential filing with respect to its purported cost studies for DAL (which it called "Advanced Dialing Parity DA Listings Product"), with service to WorldCom and others subject to the Protective Order entered in that case. Due to the confidential nature of that filing it is not attached to this Petition in this docket. However, it appears that the rates which SBC filed in its April 2002 tariff are based on this December 19, 1999 filing.

On May 31,2000, in Case No. U- 11831 Michael Starkey filed an affidavit which addressed this SBC December 19, 1999 filing. Excerpts of the public version of this affidavit are attached as Attachment "D". Mr. Starkey noted certain grave deficiencies in this SBC filing, including the fact that SBC had used one study for the DAL costs for CLECs (the "Advanced Dialing Parity DA

Listings Product") and had another study which it used for determining its own DAL costs (the "Directory Assistance Listings License Product"). SBC also failed to spread the costs over a sufficient number of carriers who would actually access the DAL. Based on his analysis, **Mr.** Starkey recommended modifications to the SBC proposed DAL rates as follows:

Rate Element	**SBC Proposed Rate**	**Adjustment**	**MCI Proposed Rate**
Per Listing, Initial Load	$0.025	x .25 =	$0.006
Per Listing, Updates	$0.025	x .25 =	$0.006
Updates (fulfillment) costs per month	$1,102.71	x .25 =	$275.68
Nonrecurring costs per customer per state	$4,464.76	x .25 =	$1,116.19

On June 14, 2000, in Case No. U-11831, Staff submitted comments on the cost study submitted by SBC for DAL. Excerpts from this filing are attached as Attachment "E". In this filing, Staff reviewed the May 31, 2000, affidavit of Mr. Starkey and then stated: "From a TSLRIC standpoint, having two separate DA listings studies makes absolutely no sense. More importantly, two separate DA listings conflict with cost principle No. 3, which states that the increment being studied should be based on the entire quantity of the service. Ameritech should be required to conduct one DA listings study and to spread the cost over the total carriers (retail, UNE and Ameritech itself) who access the service." (Staff Comments, Attachment "E", at pages 17-18.)

The August 31,2000, order of this Commission in Case No. U-11831 next addressed the SBC "compliance" filing regarding the pricing of DAL. Excerpts are attached as Attachment "F".

The Commission reviewed the positions of the parties and then rejected the SBC cost study at issue and ruled as follows: "The Commission agrees with Staff that there should be one study for all DA services. It is not permissible to compute different costs depending upon who is purchasing the service." The order went on to state that "However, this proceeding does not provide the opportunity to resolve Ameritech Michigan's recent claim that DA services are not UNEs and need not be priced as such. Therefore, Ameritech Michigan shall offer and price DA services as a UNE until the issue is resolved in some other proceeding." (August 3 1, 2000, Order, at pages 11-12).

In the present proceeding, the Commission's December 20, 2001, order further addressed SBC not having filed TSLRIC rates for DAL. Pertinent excerpts from this order are set forth as part of Attachment "G". In this order the Commission determined that SBC needs to provision DAL at TSLRIC based rates.

By letter to the MPSC dated April 29, 2002, SBC apparently responded to this December 20, 2001 order with a tariff filing which it chose not to serve on the parties of record in this proceeding, nor on the parties of record in Case No. U-11831. Counsel for WorldCom in this matter was not aware of this tariff filing until after the January 2003 Commission order. A copy of this tariff filing is set forth as Attachment "H". The SBC cover letter accompanying this tariff filing states that "The cost studies supporting this offering were developed in compliance with the Commission's Orders in Case No. U-1183 1 and were filed in compliance with that docket on December 16, 1999." In other words, the cost studies upon which the DAL tariffed rates are based are the same cost studies which the Commission rejected with its August 30, 2000, order in Case No. U-1183 1.

In Michigan, an unlawful tariff is not effective. As previously noted by this Commission, ". . . in Maislin Industries v Primary Steel, 497 US 116; 110 S Ct 2759; 111 L Ed 2d 94 (1990), it was determined that the filed rate doctrine is not applicable if the rate is unlawful or unreasonable. Additionally, in Security Services, Inc. v K Mart Corporation, 511 US 431; 114 S Ct 1702; 128 L Ed 2d 433 (1994), it was held that a party has no right to rely on a filed, but void, tariff."[4] This DAL tariff has been filed in direct contradiction to the August 31, 2000 Commission order which rejected the cost study for DAL relied upon by SBC for its April 2002 tariff filing.

This Commission in this docket has previously addressed a situation where Ameritech has unilaterally changed the pricing in its tariff. The Commission has been quite clear that Ameritech is not permitted to unilaterally change its tariffs and that if it desires to propose changes to its tariffs, it must take appropriate steps to gain that approval. The Commission stated:

> It appears to the Commission that the existence of these new branding charges can be traced to Ameritech Michigan's tariff filing following the Commission's March 19, 2001 order in Case No. U-12622, an order dealing with shared transport. Following that order, Ameritech Michigan filed with the Commission's Communications Division Advice No. 3064, which contained the company's proposed shared transport tariffs. However, included in those proposed tariffs were the two additional branding charges at issue here. Before that filing, the only branding charge in the Unbundled OS tariff was a one-time trunk charge of $403.64. Ameritech Michigan enclosed cost support for both new charges with Advice No. 3064. However, neither the general issue of

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[4] Order of December 4, 2000 in Case Nos. U-10138/U-11743, *In the matter of the complaint of MCI TELECOMMUNICATIONS CORPORATION against AMERITECH MICHIGAN and GTE NORTH INCORPORATED relative to their not making intraLATA equal access available to MCI in the state of Michigan,* and *In the matter of the application and complaint of MCI TELECOMMUNICATIONS CORPORATION against MICHIGAN BELL TELEPHONE COMPANY, d/b/a AMERITECH MICHIGAN, seeking (i) a 55% discount on intrastate switched access service where intraLATA dialing parity is not provided and (ii) an order requiring implementation of intraLATA dialing parity on an expedited basis now that July 1, 1997 has passed,* at page 12.

> branding nor additional charges for branding was even mentioned in Case No. U-12622. It appears that Ameritech Michigan unilaterally determined that it should insert these two new branding charges in its proposed tariffs following the March 19 order. Such unilateral changes to tariffs are not lawful or appropriate. If Ameritech Michigan desires to propose these charges, it must take appropriate steps to gain Commission approval. Until that time, Ameritech Michigan may not impose these charges, including the per call branding charge. See, the Commission's March 7,2001 order in Case No. U-12540.[5]

Here, SBC has taken no appropriate step to obtain Commission approval of its rates for DAL. Instead, it filed a tariff advice, but this Commission has already determined that filing a tariff advice is not a lawful way to change a tariff of this nature. SBC has unlawfully filed DAL tariffed rates which are based on a cost study which this Commission has specifically found to be deficient. It is clear the SBC is not offering DAL at TSLRIC rates.

CONCLUSION

Based on all of the above, it is clear that this Petition for Rehearing must be granted as the Commission Report contains a significant error as shown by the evidence set forth in this Petition and the newly discovered evidence only brought to light after the issuance of the Commission Report. Furthermore, unless this Petition for Rehearing is granted the unintended consequences resulting from compliance with the order would be that the Commission would be approving an unlawfully filed tariff, that the Commission would be encouraging companies to unlawfully file tariffs, and that the Commission would be calling the DAL rates in that tariff to be TSLRIC based even though the Commission has already rejected the cost study upon which these rates are based.

Wherefore, the Commission should grant rehearing in this matter and should find that SBC is

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[5] Order in this matter of December 20,2001, page 14.

not offering DAL at TSLRIC rates and that therefore SBC is not in compliance with Checklist Item 7. In order for SBC to come into compliance on pricing for DAL, WorldCom would not object if SBC filed the MCI proposed DAL rates as set forth in the chart above at page 6 or the rates charged by SBC in Texas (subject to Commission approval) and that these rates were offered to WorldCom without any strings attached. Alternatively, WorldCom would not object if there was a final order entered in another proceeding in which the appropriate rates for DAL were addressed and determined and these rates were offered to WorldCom without any strings attached. However, SBC at present can not be in compliance with Checklist Item 7 until it has on file Commission approved TSLRIC rates for DAL based on an approved cost study and makes these approved rates available to CLECs.

Respectfully submitted,

WorldCom

By: James R. Denniston / bri

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Of Counsel:
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DYKEMA GOSSETT PLLC
800 Michigan National Tower
Lansing, Michigan 48933
(517) 374-9155

Dated: January 24, 2003

ATTACHMENT 4

E-mail from: Jerry Finefrock [jfinefrock@ntr.net]   Date: Thu 8/22/02 4:30 PM

TO: Siegel, Jordana; 'John Kern'; 'Vanderpol,Rebecca L - NCAM'; 'Trabaris,Douglas W (Doug) - LGA'; 'Sherry Lichtenberg'; 'Tom O'Brien'; 'Samonek,JoAnne C - NCAM'; 'Moore,Karen W - NCAM'; 'Timothy M Connolly'; 'Pete Gardon'; 'Pete Jahn'; 'Patti Coughlan'; 'Shane Kaatz'; 'Nick Jackson'; ffranco@covad.com; 'Todd McNally'; LindeN@psc.state.wi.us; Nberman@wheelerlaw.com; 'Klipstein,Robert B - NCAM'; 'Uekert,Phillip W (Phil) - LGA'; wright@cwpb.com; 'Finney,Scott L - NCAM'; VardaM@psc.state.wi.us; WieckA@psc.state.wi.us; RichtJ@psc.state.wi.us; EvensG@psc.state.wi.us; hughesej@DOJ.STATE.WI.US; 'Joan Campion'; 'Dave Albino'; 'Clark Stalker'; 'Diane Bowers'; dena.m.kemple@openmail.mail.sprint.com; mecarter@covad.com; bszafran@covad.com; 'Scott Girard'; 'Pam Sherwood'; 'Jeff May'; edwin-kh_ko@hp.com; 'William A. Haas'; 'Dan Lipschultz'; 'SIEN,JOHN (HP-USA,ex1)'; 'CLARK,MARK A (HP-USA,ex1)'; 'BETHKE,NEIL (HP-USA,ex1)'; 'KOERNER,BILL (HP-USA,ex1)'; 'JOE,MICHAEL (HP-USA,ex1)'; 'PRYOR,HOLLIE (HP-USA,ex1)'; 'Hegstrom,Cate D - LGA'; 'Peterman, Linda'; 'Chad Sharp'; 'John_Parker Erkmann'; deborah.kuhn@wcom.com; 'Karl Henry'; 'Brian Mahern'; 'Karol Krohn'; 'Gray, Abby'; 'Richard Schwartz'; 'Hal Rees'; 'Bob Veneck'; 'Tim Kagele'; 'Kevin Sosbe'; 'Julie Keen'; 'Sue Platner'; McDonough, Patrick J; 'Howard Siegel'; 'NIETUBICZ,RICK (HP-USA,ex1)'; lynnette.e.c.hill@wcom.com; Aisar@millerisar.com; Alan.i.matsumoto@mail.sprint.com; 'Allen Francis'; 'Hisham Choueiki'; 'Steven Nourse'; 'Ancona, Robin'; asamson@birch.com; 'Ashton, Mike'; 'Batts, Mike'; 'Brown, Frances'; 'Brown, Katherine'; 'Carey, Michelle'; 'Chorzempa, David'; 'Connolly, Tim'; 'Cullen, Scott'; 'Denniston, James'; 'Dirubbo, Salvatore'; 'Drinski, Michael'; 'Emmel, Christine'; 'Ernst, Al'; 'Finefrock, Jerry'; 'Fishkin, Joel'; 'Gilbert, Adam'; 'Goldman, Marc'; 'Gomol, John'; 'Gregg, Rodney P'; 'Hughey, Steve'; 'Isioguo, Orjiakar'; Jane_Van_Duzer/FOCAL@focal.com; 'Karen A Coleman (E-mail)'; 'Kearney, Daniel'; 'Kevin Schoen (E-mail)'; 'Kinard, Karen'; 'Kruse, Brad'; 'Kruse, Jim'; 'Leopold, Brett'; 'Lonergan, Tom'; lrrosier@clarkhill.com; 'Marshall, Frances'; mhazzard@kelleydrye.com; Paul_Rebey/FOCAL@focal.com; 'Pearl, Denise A'; 'Powell, Theresa'; 'Rashes, Haran C'; 'Reidy, John J III '; rwalters@Z-TEL.com; 'Schmaltz, Rick'; 'Schneidewind, Ann R'; 'Severance, James W'; 'Swanson-Hull, Camie'; 'Vorys, Yolanda'; 'Wilson, Kathy'; nweber@icc.state.il.us; pausch@occ.state.oh.us; kevin_mcdermott@hp.com; kerrie_douglas@hp.com; tvandeveer@ldmi.com; robin.jackson@twtelecom.com; marla.bibbs@xo.com; jgroves@cimco.net; hverthein@cimco.net; wmiller@ntd.net; 'Scheiderer, Barbara'; 'Spurr, Ellen R'; 'Cindy Jones'; rmeach@kmctelecom.com; James.Webber@corecomm.com; 'Cox, Rod'; 'Tom Waterloo'; 'Bill Kinsella'; 'Sapper, David PSC'; chamill@att.com; gbeyer@icc.state.il.us; jncuyuga@icc.state.il.us; RMaur@Talk.com; jtruhn@talkamerica.com; pam.engle@coi.net

CC: Morreale, Carla; Hawkins, Robert; Walker Jr., Andrew M; Gorfin, Eugene; Casey, Christopher (US/Tyson's Tower); Salisbury, Emily; Mielert, Peter T;

Eringis, John E; Doerr, Briana; Chang, Susie; Merritt, Kevin; Kim, Young K; Mayer, Robert H; McAvoy, Jocelyn H; Yu, Lisa; Martinez, Anita D; Chick, Sidney J; Howard, Vance B; Hotz, Janet R; Woodhouse, Richard W; Moorin, H. Howard; Prendergast, John; Rowley, Bryan D; Leach, Eric; Araujo, Roberto; mwilliam@ldmi.com; Carmelina Antonuccio; Harriet Kirshman; Mark Wayne; David Bailey; Mike Mahoney; Glenn Moore; Sharyn Mooney; Chris Rice

Subject: Follow-Up to CLEC Face-To-Face Meeting

To: Jordana Siegel, KPMG
Staffs, MI, OH, IL, IN and WI Commissions

From: Jerry Finefrock, LDMI Telecommunications

Jordana and Commission Staffs,

I regret that based on a family illness, I was unable to attend the CLEC face-to-face meeting today in person.

Attached is an LDMI presentation on OSS problems faced by Business UNE-P CLECs in the Ameritech region, which we would have wished to present in person.

I am in hopes in particular the Commission Staffs can read that LDMI presentation, which points up the significant OSS difficulties which continue unabated on Ameritech business UNE-P services. While many residential UNE-P lines are now being turned up, the vast majority of business customers in Ameritech territory still are unable to enjoy competitive opportunities. Half of all telephone lines in Ameritech territory are business lines. Small and medium-size businesses are the lifeblood of our economy, and excellent candidates for UNE-P, but continuing problems on business UNE-P stand in their way. These are problems which need Ameritech attention and resolution before any 271 is granted.

I mentioned during the CLEC-to-CLEC discussion today the August 16 letter to LDMI from Ameritech, disclosing a major Ameritech billing error on UNE-P, regarding reciprocal compensation. This is the text of that letter, written by LDMI's Ameritech Account Manager:

"Ameritech Michigan recently discovered a billing discrepancy relating to certain calls originating from UNE P's (or unbundled local switching with shared transport a.k.a. ULS-ST) purchased from Ameritech Michigan. For local calls that originated from CLEC end-users being served by UNE-P and that were terminated to Ameritech Michigan, Ameritech Michigan was not billing reciprocal compensation rates for that termination as applicable in the interconnection agreements or via the Local Exchange Tariff. Effective August 1, 2002, Ameritech Michigan has implemented the appropriate modifications to its billing system to bill reciprocal compensation for this traffic being terminated by Ameritech Michigan; the invoices you receive subsequent to this notice will include the billing for this terminating traffic.

"Ameritech Michigan will also adjust and provide a statement for past, unbilled amounts related to this traffic pursuant to the terms contained in your interconnection agreement. A separate notice will accompany this one-time true-up charge."

"If you have any questions pertaining to this billing correction, please feel free to contact me."

This letter did not arrive at LDMI until August 21. We regret that Ameritech did not inform us or the industry sooner that they had discovered the problem, since they clearly had to have known about it some time ago, in order to have adjusted billing effective August 1. We also regret that they did not inform KPMG or the Commission Staffs. One would have to assume that with this problem in mind, it would be difficult for Ameritech to show it had successfully met this portion of the KPMG Michigan OSS testing of the January to March time window, or even of the March and onward drive-by "audit" of Ernst & Young.

Thank you.

Jerry Finefrock
Senior Director, Regulatory Affairs
LDMI Telecommunications
8801 Conant St., Hamtramck MI 48211
Direct 313-664-2340 Cell 248-840-2896
Fax 877-858-5364 Email jfinefro@ldmi.com

ATTACHMENT 5

-----Original Message-----
From: Webber, James [mailto:James.Webber@corecomm.com]
Sent: Wednesday, December 11, 2002 3:52 PM
To: Jerry Finefrock (E-mail)
Subject: FW: Urgent: Need Your Help -- Ameritech Failure to Meet "Reciprocal Compensation" Checklist Item, Michigan 271
Importance: High

-----Original Message-----
From: Webber, James
Sent: Wednesday, December 11, 2002 2:37 PM
To: 'O'Brien, Thomas'; Jerry Finefrock (E-mail)
Cc: Bennett, Bruce
Subject: RE: Urgent: Need Your Help -- Ameritech Failure to Meet "Reciprocal Compensation" Checklist Item, Michigan 271
Importance: High

Tom and Jerry:

CoreComm received a similar letter from Ameritech which was dated September 19, 2002. CoreComm provided a written response to Ameritech on October 4, 2002, directing that all additional correspondence pertaining to the commencement of backing billing be sent directly to my office. As of today's date, I have not seen any such correspondence. Moreover, I am not aware of anyone on my staff who has.

James Webber
Director - External Affairs
ATX/CoreComm
70 W. Hubbard Street
Suite 410
Chicago, IL 60610
312.445.1163 (phone)
312.445.1232 (fax)

ATTACHMENT 6

Exhibit ARMIS 1, Comparative Local Revenues Per Line

		Local Network Svcs Revs 1991 ($000)	Local Network Svcs Revs 2001 ($000)	Local Network Svcs Revs 10-Year Growth	Total Switched Access Lines 1991	Total Switched Access Lines 2001	Local Network Svcs Revs 1991 Per Line	Local Network Svcs Revs 2001 Per Line	Local Network Svcs Revs Growth Per Line
Qwest	AZ	$536,921	$1,022,990		1,844,449	2,892,059			
Qwest	CO	$580,375	$1,086,359		1,908,432	2,784,640			
Qwest	ID	$87,207	$201,995		381,835	580,439			
Qwest	MT	$90,616	$142,649		319,734	382,202			
Qwest	NM	$185,094	$294,537		612,146	869,293			
Qwest	UT	$184,433	$372,617		751,664	1,088,465			
Qwest	WY	$54,953	$106,901		220,204	265,631			
Qwest	IA	$232,269	$305,844		905,819	1,122,204			
Qwest	MN	$514,459	$756,425		1,794,687	2,230,350			
Qwest	NE	$142,349	$214,871		466,313	464,828			
Qwest	ND	$62,290	$78,188		261,223	211,032			
Qwest	SD	$69,763	$87,518		265,151	263,104			
Qwest	OR	$294,738	$428,137		1,048,582	1,417,051			
Qwest	WA	$464,207	$762,130		1,960,013	2,498,321			
Qwest	Total	$3,499,674	$5,861,161	67.5%	12,740,252	17,069,619	$274.69	$343.37	25.0%
PacBell	CA	$3,269,207	$4,741,647		14,757,231	17,548,599			
NevBell	NV	$59,015	$89,401		237,508	365,531			
SNET	CT	$491,598	$732,375		1,921,799	2,334,052			
Pac/Snet	Total	$3,819,820	$5,563,423	45.6%	16,916,538	20,248,182	$225.80	$274.76	21.7%
Ameritech	**MI**	$1,100,538	$1,719,537	56.2%	4,256,492	4,804,489	$258.56	$357.90	38.4%
Ameritech	IL	$1,740,291	$2,428,897		5,404,549	6,230,181			
Ameritech	IN	$479,350	$781,351		1,681,532	2,201,624			
Ameritech	OH	$1,103,052	$1,418,514		3,274,086	3,891,121			
Ameritech	WI	$470,937	$783,722		1,750,697	2,021,433			
Oth Amer	Total	$3,793,630	$5,412,484	42.7%	12,110,864	14,344,359	$313.24	$377.32	20.5%
Verizon	DC	$272,839	$277,358		873,657	1,017,492			
Verizon	MD	$935,059	$1,312,687		2,891,600	3,920,482			
Verizon	VA	$819,404	$1,206,944		2,632,711	3,605,310			
Verizon	WV	$264,128	$376,570		680,128	857,125			
Verizon	DE	$98,572	$171,130		428,082	594,430			
Verizon	PA	$1,307,578	$1,689,724		5,328,487	6,255,932			
Verizon	NJ	$1,068,725	$1,699,486		4,957,181	6,859,222			
Verizon	ME	$132,980	$247,198		568,743	734,817			
Verizon	MA	$1,110,601	$1,311,489		3,623,238	4,373,612			
Verizon	NH	$154,176	$240,562		594,463	794,481			
Verizon	RI	$159,551	$196,806		542,381	649,324			
Verizon	VT	$81,515	$146,764		273,457	369,263			
Verizon	NY	$4,510,575	$3,977,235		9,633,243	11,765,804			
Verizon	Total	$10,915,703	$12,853,953	17.8%	33,027,371	41,797,294	$330.50	$307.53	-7.0%

Federal Communications Commission, ARMIS database (available at FCC's Website), **ARMIS 43-03**, Table I, Account 5000, local services revenue; ARMIS 43-08, **Table II, total switched access lines.**

ATTACHMENT 7

Exhibit ARMIS 2

Change In Monthly Residential Telephone Rates -- FCC's Sample Cities

Rates include touch-tone service, surcharges, 911 charges, and taxes

For All The Cities on FCC's Sample Cities List
Monthly Residential Telephone Rate Data As of Oct. 15, 1991 and Oct. 15, 2001
State/Regional/National Weighted Averages Use April, 2000 U.S. Census Population Data
Rates are for flat-rate service where available and measured/message service with 100 local calls elsewhere
Data is from FCC Table 1.4, Reference Book of Rates, Price Indices...for Telephone Service
Industry Analysis and Technology Division, FCC, July, 2002

Place Name	State	Oct. 15, 1991	Oct. 15, 2001	% Increase	Population, April 1, 2000
Detroit	MI	$19.04	$26.68	40.1%	951,270
Grand Rapids	MI	$17.06	$24.35	42.7%	197,800
Saginaw	MI	$16.31	$27.30	67.4%	61,799
Total, Michigan:		$18.58	$26.33	41.7%	1,210,869
Chicago	IL	$18.17	$21.61	18.9%	2,896,016
Decatur	IL	$20.29	$21.05	3.7%	81,860
Rock Island	IL	$20.93	$20.65	-1.3%	39,684
Indianapolis	IN	$22.47	$19.87	-11.6%	791,926
Terre Haute	IN	$22.93	$23.26	1.4%	59,614
Canton	OH	$21.29	$19.95	-6.3%	80,806
Cincinnati	OH	$20.30	$23.54	16.0%	331,285
Cleveland	OH	$21.29	$19.95	-6.3%	478,403
Columbus	OH	$21.29	$19.95	-6.3%	711,470
Toledo	OH	$21.29	$19.95	-6.3%	313,619
Milwaukee	WI	$16.66	$27.49	65.0%	596,974
Racine	WI	$16.63	$27.49	65.3%	81,855
Total, Other Ameritech:		$19.50	$21.71	11.3%	6,463,512
Anchorage	AK	$10.56	$15.23	44.2%	260,283
Huntsville	AL	$25.57	$24.32	-4.9%	158,216
Pine Bluff	AR	$22.60	$24.36	7.8%	55,085
West Memphis	AR	$29.28	$30.87	5.4%	27,666
Tucson	AZ	$18.20	$20.83	14.5%	486,699
Anaheim	CA	$12.30	$15.46	25.7%	328,014
Bakersfield	CA	$12.30	$15.46	25.7%	247,057
Fresno	CA	$12.30	$15.46	25.7%	427,652
Long Beach	CA	$17.24	$25.18	46.1%	461,522

Place Name	State	Oct. 15, 1991	Oct. 15, 2001	% Increase	Population, April 1, 2000
Los Angeles	CA	$13.52	$17.01	25.8%	3,694,820
Oakland	CA	$13.09	$16.62	27.0%	399,484
Salinas	CA	$12.91	$16.39	27.0%	151,060
San Bernardino	CA	$16.93	$24.72	46.0%	185,401
San Diego	CA	$12.74	$15.04	18.1%	1,223,400
San Francisco	CA	$12.97	$15.46	19.2%	776,733
San Jose	CA	$12.91	$16.23	25.7%	894,943
Boulder	CO	$20.59	$23.77	15.4%	94,673
Colorado Springs	CO	$20.37	$22.47	10.3%	360,890
Denver	CO	$20.80	$23.58	13.4%	554,636
Ansonia	CT	$16.68	$21.64	29.7%	18,554
Norwalk	CT	$18.06	$20.55	13.8%	82,951
Washington	DC	$22.16	$20.70	-6.6%	572,059
Miami	FL	$17.96	$18.44	2.7%	362,470
Tampa	FL	$17.95	$20.58	14.7%	303,447
West Palm Beach	FL	$16.50	$17.62	6.8%	82,103
Albany	GA	$20.70	$23.69	14.4%	76,939
Atlanta	GA	$24.48	$26.65	8.9%	416,474
Honolulu	HI	$19.29	$24.84	28.8%	371,657
Fort Dodge	IA	$13.66	$17.36	27.1%	25,196
Louisville	KY	$24.22	$27.19	12.3%	256,231
Baton Rouge	LA	$22.19	$21.22	-4.4%	227,818
New Orleans	LA	$23.31	$20.16	-13.5%	484,674
Boston	MA	$18.97	$24.16	27.4%	589,141
Hyannis	MA	$17.42	$24.16	38.7%	15,683
Springfield	MA	$18.44	$24.16	31.0%	152,082
Baltimore	MD	$25.27	$25.85	2.3%	651,154
Portland	ME	$18.24	$24.54	34.5%	64,249
Detroit Lakes	MN	$19.83	$21.16	6.7%	7,948
Minneapolis	MN	$21.19	$22.14	4.5%	382,618
Kansas City	MO	$20.33	$20.26	-0.3%	441,545
Mexico	MO	$17.07	$19.63	15.0%	11,320
St. Louis	MO	$20.16	$20.45	1.4%	348,189
Pascagoula	MS	$26.34	$26.52	0.7%	26,200
Butte	MT	$19.25	$23.86	23.9%	33,882
Raleigh	NC	$19.45	$18.82	-3.2%	276,093
Rockingham	NC	$17.22	$17.55	1.9%	9,672
Grand Island	NE	$21.85	$27.85	27.5%	42,940
Phillipsburg	NJ	$13.16	$14.68	11.6%	15,166
Alamogordo	NM	$19.12	$18.21	-4.8%	35,582
Binghamton	NY	$25.74	$24.62	-4.4%	47,380
Buffalo	NY	$33.18	$20.09	-39.5%	292,648
New York City	NY	$26.79	$25.07	-6.4%	8,008,278
Rochester	NY	$20.98	$19.02	-9.3%	219,773
Corvallis	OR	$19.21	$21.72	13.1%	49,322
Portland	OR	$21.44	$22.74	6.1%	529,121
Allentown	PA	$16.10	$18.99	18.0%	106,632
Ellwood	PA	$14.76	$19.41	31.5%	8,688
Johnstown	PA	$19.25	$23.58	22.5%	23,906
New Castle	PA	$14.76	$17.71	20.0%	26,909

Place Name	State	Oct. 15, 1991	Oct. 15, 2001	% Increase	Population, April 1, 2000
Philadelphia	PA	$17.44	$20.07	15.1%	1,517,550
Pittsburgh	PA	$17.44	$20.07	15.1%	334,563
Scranton	PA	$16.10	$18.99	18.0%	76,415
Providence	RI	$23.62	$24.68	4.5%	173,618
Beaufort	SC	$21.61	$21.40	-1.0%	12,950
Memphis	TN	$20.31	$21.05	3.6%	650,100
Nashville	TN	$19.21	$20.63	7.4%	569,891
Brownsville	TX	$15.42	$17.92	16.2%	139,722
Corpus Christi	TX	$16.22	$16.93	4.4%	277,454
Dallas	TX	$18.45	$20.22	9.6%	1,188,580
Fort Worth	TX	$16.80	$19.62	16.8%	534,694
Houston	TX	$19.40	$19.59	1.0%	1,953,631
San Antonio	TX	$16.67	$17.75	6.5%	1,144,646
Logan	UT	$15.63	$20.02	28.1%	42,670
Richmond	VA	$23.98	$29.53	23.1%	197,790
Smithfield	VA	$16.90	$26.73	58.2%	6,324
Everett	WA	$19.86	$21.02	5.8%	91,488
Seattle	WA	$16.06	$19.70	22.7%	563,374
Huntington	WV	$28.63	$27.10	-5.3%	51,475
Total, Other U.S.:		$19.73	$20.93	6.1%	36,011,863

ATTACHMENT 8

Exhibit ARMIS 3, Comparative Toll Revenues Per Line

		LD Network Svcs Revs 1991 ($000)	LD Network Svcs Revs 2001 ($000)	LD Network Svcs Revs 10-Year Growth	Total Switched Access Lines 1991	Total Switched Access Lines 2001	LD Network Svcs Revs 1991 Per Line	LD Network Svcs Revs 2001 Per Line	LD Network Svcs Revs Growth Per Line
BellSouth	FL	$331,150	$111,205		4,796,879	6,573,767			
BellSouth	GA	$210,564	$69,382		2,945,263	3,995,600			
BellSouth	NC	$150,678	$27,371		1,777,859	2,484,809			
BellSouth	SC	$96,754	$33,773		1,145,592	1,501,154			
BellSouth	AL	$102,314	$36,091		1,594,236	1,931,678			
BellSouth	KY	$108,145	$15,602		978,089	1,235,025			
BellSouth	LA	$135,427	$33,409		1,879,254	2,375,981			
BellSouth	MS	$150,692	$47,912		1,008,971	1,338,463			
BellSouth	TN	$110,859	$37,676		2,106,636	2,651,666			
BellSouth	Total	$1,396,583	**$412,421**	-70.5%	18,232,779	24,088,143	$76.60	**$17.12**	**-77.6%**
Qwest	AZ	$104,562	$19,657		1,844,449	2,892,059			
Qwest	CO	$127,558	$35,744		1,908,432	2,784,640			
Qwest	ID	$65,483	$8,954		381,835	580,439			
Qwest	MT	$52,558	$6,825		319,734	382,202			
Qwest	NM	$69,244	$11,595		612,146	869,293			
Qwest	UT	$74,700	$25,241		751,664	1,088,465			
Qwest	WY	$37,086	$4,293		220,204	265,631			
Qwest	IA	$126,407	$18,409		905,819	1,122,204			
Qwest	MN	$119,839	$16,821		1,794,687	2,230,350			
Qwest	NE	$52,751	$7,515		466,313	464,828			
Qwest	ND	$52,534	$3,946		261,223	211,032			
Qwest	SD	$40,103	$7,715		265,151	263,104			
Qwest	OR	$167,088	$31,550		1,048,582	1,417,051			
Qwest	WA	$372,794	$66,035		1,960,013	2,498,321			
Qwest	Total	$1,462,707	**$264,300**	-81.9%	12,740,252	17,069,619	$114.81	**$15.48**	**-86.5%**
SWBT	AR	$92,060	$48,435		738,720	977,759			
SWBT	KS	$145,521	$40,029		1,072,493	1,255,090			
SWBT	MO	$208,410	$65,912		1,998,456	2,440,916			
SWBT	OK	$153,274	$35,078		1,297,291	1,563,329			
SWBT	TX	$421,166	$173,077		6,933,830	8,223,467			
SWBT	Total	$1,020,431	**$362,531**	-64.5%	12,040,790	14,460,561	$84.75	**$25.07**	**-70.4%**
PacBell	CA	$2,152,005	$843,268		14,757,231	17,548,599			
NevBell	NV	$22,191	$5,261		237,508	365,531			
SNET	CT	$360,291	$197,121		1,921,799	2,334,052			
Pac/Snet	Total	$2,534,487	**$1,045,650**	-58.7%	16,916,538	20,248,182	$149.82	**$51.64**	**-65.5%**
Ameritech	**MI**	$584,215	**$458,853**	-21.5%	4,256,492	4,804,489	$137.25	**$95.51**	-30.4%
Ameritech	IL	$173,228	$287,866		5,404,549	6,230,181			
Ameritech	IN	$130,640	$82,704		1,681,532	2,201,624			
Ameritech	OH	$210,780	$83,828		3,274,086	3,891,121			
Ameritech	WI	$197,783	$98,263		1,750,697	2,021,433			
Oth Amer	Total	$712,431	**$552,661**	-22.4%	12,110,864	14,344,359	$58.83	**$38.53**	**-34.5%**
Verizon	DC	$5,928	$2,545		873,657	1,017,492			
Verizon	MD	$113,985	$58,095		2,891,600	3,920,482			
Verizon	VA	$126,333	$30,465		2,632,711	3,605,310			
Verizon	WV	$89,736	$23,191		680,128	857,125			
Verizon	DE	$34,419	$12,756		428,082	594,430			
Verizon	PA	$474,315	$224,144		5,328,487	6,255,932			
Verizon	NJ	$694,024	$439,632		4,957,181	6,859,222			
Verizon	ME	$155,931	$68,774		568,743	734,817			
Verizon	MA	$445,172	$272,358		3,623,238	4,373,612			
Verizon	NH	$108,965	$44,462		594,463	794,481			
Verizon	RI	$48,683	$22,229		542,381	649,324			
Verizon	VT	$54,719	$12,826		273,457	369,263			
Verizon	NY	$364,737	$194,552		9,633,243	11,765,804			
Verizon	Total	$2,716,947	**$1,406,029**	-48.2%	33,027,371	41,797,294	$82.26	**$33.64**	**-59.1%**

ARMIS, FCC, 43-03, Table I, LD Network Svc Revenues (Acct 5100); **43-08, II, total switched access lines**.

ATTACHMENT 9

12:25pm BST 11-Sep-02 Bear Stearns International

Robert Fagin 212 272-4321 rfagin@bear.com
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9/10/02

BEAR, STEARNS & CO. INC.
EQUITY RESEARCH

SBC Communications Inc. (SBC 24.88) - Outperform
Highlights From Meeting With SBC Management

Key Points

*** We met with SBC management today in New York. A full discussion follows.

*** UNE-P remains the most important issue affecting the company. Although competition in the Southwestern Bell territories is stable and predictable, Ameritech and California competitive access line losses will likely deteriorate further. SBC management is actively seeking relief in the form of increased (cost-based) wholesale UNE pricing.

*** SBC is investing in hopes of organically growing its enterprise market capability. However, management estimates that the company is at least 18 months away from having a meaningful enterprise market product set and five years from gaining traction in the marketplace. AT&T was identified by the company as the acquisition target of choice to speed market entry, but many hurdles exist.

*** Footprint and spectrum constraints are the major issues facing Cingular. Management believes that consolidation is critical and indicated that a transaction with AT&T Wireless appears to make the most sense. The main obstacles to a transaction are valuation and social/governance issues.

*** Rated Outperform. Target price: $32.

	GAAP Estimates					P/E
	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Year	Year
2001	$0.51A	$0.61A	$0.59A	$0.64A	$2.34A	10.6x
2002	$0.51A	$0.61A	$0.56E	$0.59E	$2.26E	11.0x
2003					$2.36E	10.5x

**PLEASE REFER TO THE LAST PAGE OF THIS REPORT FOR IMPORTANT DISCLOSURE INFORMATION

***Bear Stearns acted as a financial advisor to AOLTime Warner Inc. in its pending transaction with AT&T Corp. & Comcast Corp. involving the restructuring of Time Warner Entertainment.

Management Meeting Summary

The Company Expects Access Line Losses in California to Accelerate Due to Low UNE Prices and Delayed Long Distance Entry. SBC indicated that competition intensified in California after UNE rates were lowered in May. SBC expects to file a cost docket with the California PUC (CPUC) in hopes of raising UNE rates to what SBC believes is a cost-based rate. Management hopes that the CPUC would rule on the docket by year end. Management believes that competition will stabilize in California in 2003 if SBC receives a positive ruling on the rate case, and as the company gains long distance relief and begins offering a bundled product. The CPUC is now expected to vote on SBC's 271 application on September 19 and SBC would file with the FCC shortly thereafter. This would imply a late December/early January FCC ruling. SBC's current 2002 EPS guidance assumes no benefit from California long distance entry.

Intensifying Competition in the Ameritech Region Will Likely Continue Well Into 2003. Management cited high retail rates and low UNE rates as the key reasons for continued line losses in the region. The company estimates that UNE-P pricing in key Ameritech states is in the $14-$15 range, a rate that management contends is far below actual cost. According to management, approximately 70% of SBC's UNE-P growth and access line losses are in the Ameritech region. SBC does not expect to gain entry into key long distance markets in the Ameritech region until mid-2003, further exacerbating the situation.

Competitive Forces May Have Stabilized in the Southwestern Bell Region.
Competitive penetration of the region's local market has flattened in the 15%-20% range. SBC partly attributes the stabilization to its ability to offer long distance service as part of a bundle in all Southwestern Bell states. Also, management cited reasonably-priced UNE rates (in the $20 range). In contrast to California and the Ameritech region, SBC indicated that consumer revenue in the Southwestern Bell states actually increased 3% last quarter.

Economic Weakness is the Primary Cause of Business Access Line Losses. In contrast, management estimates that 78% of retail consumer access line loss is due to UNE-P with the balance due to the economy (less than 10%) and technology substitution.

SBC's Local Data Business Continues to Grow. Within local data, the high-end of the market is down about 5%, the government and SME markets are up in the double-digits, wholesale data is up 9%, but ISP business is down approximately 44%. Local data trends have not changed much since the end of 2Q02, according to management.

SBC is Pursuing an Organic Strategy to Attack the Enterprise Market ... For Now. Management believes that the company is 18 months away from having a meaningful enterprise product set and five years away from gaining significant market share. Management discussed possible acquisition targets to expedite market entry. Qwest, Broadwing, and WorldCom were deemed less attractive acquisition candidates. Sprint FON was identified as an attractive property but a relatively small customer base was noted. AT&T seemed to be the most attractive candidate to SBC, but the company cited DoJ hurdles in completing any deal. Specifically, SBC believes that it might have to divest AT&T Consumer customers in-region. In addition, AT&T's CLEC business and its small and medium-sized business customers could create problems with DoJ approval. SBC indicated that finding a buyer for those assets would be a challenge. Management believes that over time, margins in the large enterprise market will improve and pricing across most enterprise business products will be stable or increase.

No Anticipation of a Price War in Consumer Long Distance. SBC indicated (and we have observed) that RBOC pricing is in-line or higher than the IXCs'. Management believes that its ARPU and MOU will be relatively stable as the company penetrates markets where it has section 271 relief. SBC assumes that it can achieve 30% market share 12 months after entering a new market and is targeting a long run (3-4 years) penetration rate in the 60%-70% range.

Although Elusive, Wireless Consolidation Remains a Serious Consideration. Management identified spectrum depth and holes in its footprint as the key constraints for Cingular Wireless. The eventual rollout of national wireless data products exacerbate these concerns. SBC also identified duplicative capital investment as a key reason for consolidation. Management identified AT&T Wireless as a potential candidate, but cited valuation, governance, and other social issues as potential hurdles. VoiceStream was also mentioned, but valuation seems to be a stumbling block for now.

Other Notable Information:
excluding WorldCom, bad debt rates have been stable
WorldCom receivable is fully reserved; may see increased levels of bad debt associated with WorldCom due to approximately $200M of monthly products and services sales; expect cash payments from WorldCom to commence this week excess cash, including any cash associated with BCE's potential purchase of SBC's remaining 16% ownership in BCE (allowable from 10/15/02-11/15/02), will be used to reduce debt
pension income erosion will have a significant impact on future earnings

Our Price Target is $32. We base our objective on a P/E of 13.9x estimated 2002 EPS (a 25% discount to the market multiple). Our target reflects a 6.5x multiple of our estimate of SBC's proportional share of Cingular's 2002 EBITDA (in line with current market value for national wireless service providers), a 6.5x multiple on 2002E directory EBITDA, and a 5.5x EBITDA multiple on the core wireline unit.

Valuation Method For Target Price: Valuation is based on a 25% discount to the S&P 500 P/E multiple.

Q, T, BLS, SBC: Within the past twelve months, Bear, Stearns & Co. Inc. or one of its affiliates was the manager or co-manager of a public offering of securities for this company.
Q, T, BLS, SBC: Within the past twelve months, Bear, Stearns & Co. Inc. or one of its affiliates has performed, or is performing, investment banking services for which it has received a fee from this company.
WCOEQ: Bear, Stearns & Co. Inc. is a market maker in this company's equity securities.
Bear, Stearns & Co. Equity Research Rating System:

Ratings for Stocks (vs. analyst coverage universe):
Outperform (O) - Stock is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (P) - Stock is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (U) - Stock is projected to underperform analyst's industry coverage universe over the next 12 months.
Ratings for Sectors (vs. regional broader market index):
Market Overweight (MO) - Expect the industry to perform better than the primary market index for the region over the next 12 months.
Market Weight (MW) - Expect the industry to perform approximately in line with the primary market index for the region over the next 12 months.
Market Underweight (MU) - Expect the industry to underperform the primary market index for the region over the next 12 months.

ATTACHMENT 10

SBC raises nonlocal call rates

Company says prices better reflect costs

By Vikas Bajaj Staff Writer, The Dallas Morning News
Published February 2, 2001

SBC Communications Inc. raised its consumer long-distance rates 1 to 2 cents a minute Thursday, saying the new promotions will better reflect the cost of providing the service.

The changes, which include slightly lower long-distance rates for businesses, came on the same day that SBC, the San Antonio-based parent of Southwestern Bell, increased the price for its much sought-after digital subscriber line service by $10 a month.

SBC's long-distance service will now cost 10 cents a minute, up from 9 cents. The discounted rate for customers who buy other services from Southwestern Bell is now 8 cents, up from 6 cents. A new package allows customers who pay a $4.95 monthly fee to get long-distance calls for 7 cents a minute.

Existing customers keep the old rates until they change addresses.

Southwestern Bell started selling long distance in July after persuading the Texas Public Utility Commission and the Federal Communications Commission that the local phone service market in Texas was open to competition. (The firm recently won approval to sell the service in Kansas and Oklahoma starting March 7.)

In Texas, SBC had 1.4 million long-distance customers at the end of 2000. The service is an important part of its strategy to sell consumers a broad array of telephony and data products.

The rate increase "highlights the fact that SBC feels like they are in control and they can set the price," said Gary Jacobi, an analyst with Deutsche Banc Alex.Brown. "You start to do a billion minutes, and you pick up an extra 2 cents a minute, that's a lot."

SBC said the increase still leaves it with some of the lowest-priced packages.

"We have made changes that reflect the cost of providing service," said Shawn Ramsey, a Southwestern Bell spokeswoman. "Basically, we are new to the long-distance business, and we have learned a lot of things about what we offer and how much we charge."

AT&T's best long-distance-only offer costs $4.95 a month and charges consumers 7 cents a minute for interstate calls and 9 cents for calls within Texas. The firm also sells several local/long-distance packages, one of which costs $25.95 for unlimited local calling, 7 cents a minute for long distance and three premium features such as caller ID.

"There is no doubt they [SBC] have taken some of our long-distance customers, but we have taken 325,000 of their local service customers," said Kerry Hibbs, an AT&T Corp. spokesman. "We think we are doing pretty well."

The new rates drew criticism from consumer advocates who said the increases prove that despite deregulation Southwestern Bell has no credible competitive threat in its consumer business.

"The theory is that competition is supposed to bring prices down and provide a lot of different offerings for consumers," said Janee Briesemeister, an analyst with Consumers Union in Austin. "And what we are seeing instead is prices getting higher and higher."

ATTACHMENT 11

Public Utilities Commission of Texas News Releases

Southwestern Bell Raises Local Phone Rates
Court Forces PUC to Allow Rate Hike in 32 Local Exchanges

Contact:
Terry Hadley 512-936-7135
Pager: 512-322-1457

Thursday, October 24, 2002 -- Southwestern Bell Telephone Co. (SWBT) will raise local phone rates in 32 Texas exchanges effective November 15.

SWBT originally applied for the rate increase in December 1997. The Public Utility Commission of Texas (PUC) objected to the increase and denied it in a January 1999 order. SWBT appealed the decision in Travis County District Court. After review by the Third Court of Appeals and the Texas Supreme Court, on Aug. 6, 2002 the Travis County District Court issued an order forcing the PUC to allow the increase.

The increase ranges from 20 cents to 65 cents per phone line per month for basic residential service and from 45 cents to $3.00 per month per phone line for basic business service. The company notified customers about the increase in bills dated from Aug. 7, 2002 through Sept. 5, 2002. Filings in the original case show the total annual revenue increase for SWBT to be approximately $29.9 million.

More than 90 percent of the revenue rate increase would be collected from business and residential customers in the Austin, Dallas and Fort Worth exchanges. The remaining 29 local exchanges are Allen, Bandera, Brownsville, Burkburnett, Carthage, Center, Deadwood, Eastland, Edcouch, Ennis, Henrietta, Hereford, Iowa Park, Laredo, Liberty Hill, Longview, McKinney, Medina Lake, Mercedes, Orange, Port Isabel, Roscoe, Spring, Sullivan City, Sweetwater, Tomball, Troy, Uvalde and Wharton.

SWBT has petitioned the PUC with a tariff filing to recover $142.7 million in surcharges for the period January 1999 to November 2002, plus interest. The filing at the PUC is under docket 26719.

All PUC News Releases are available at www.puc.state.tx.us

Last Updated: 10/24/02

ATTACHMENT 12

Kansas Corporation Commission News Release

September 25, 2001

KCC rebalances long distance access charges and local service rates

The Kansas Corporation Commission, in a two to one decision, today issued an order reducing intrastate long distance access charges for long distance companies and allowing Southwestern Bell Telephone (SWBT) and Sprint/United to rebalance revenues lost as a result of these reductions to local service rates.

The Commission's action today represents another step in carrying out the legislative mandates to make it possible for competition to develop in Kansas. The 1996 State Telecommunications Act specifically identified the reduction of intrastate access charges to the same level as interstate access charges as an important objective necessary to encourage the emergence of competition in the Kansas telecommunications markets. In addition, the 1996 Federal Telecommunications Act calls for a move away from implicit to explicit subsidies and for the prices charged to more closely reflect the actual cost to provide service. Historically, access charges assessed by local service providers to long distance companies have subsidized the cost of local service. The elimination of implicit, or hidden subsidies in a company's rates will continue to level the playing field to allow the same opportunity for all participants in a competitive market.

Local phone companies charge long distance companies for the use of the local company's network to complete a call. This charge is based on the local company's access rates assessed on a per minute of use basis, and is passed on to consumers in their long distance charges. Long distance companies are required by law to pass through these reductions in access rates to their customers.

To the extent Sprint/United's and SWBT's revenues are reduced through these access rate reductions, state law allows them to make up that revenue. Accordingly, Sprint/United's and SWBT's rates for local service will be increased to bring them closer to the cost to provide this service.

This rate rebalancing, or shifting of cost, from intrastate long distance rates to local monthly service rates is revenue neutral to customers collectively. Individual customers will see their total phone bill either increase or decrease based upon their level of intrastate toll usage. Currently, residential customers with multiple lines for fax, computer, and voice service who make primarily local calls are being subsidized by single line residential customers with high intrastate toll usage. Today's action will reduce the amount of these hidden subsidies.

Southwestern Bell residential customers will experience an average local rate increase of $1.77 per month, with a range of increase from $1.55 to $1.85 per month (depending on the area served and current rate structure), effective October 1, 2001. For Sprint/United residential customers the average local rate increase will be $4.89 per month, with a range of increase from $4.00 to $6.75 per month (depending on the area served and current rate structure). To minimize the impact to consumers, Sprint/United's increase will be phased in over a three-year period, beginning in June 2002. None of these increases will result in basic local rates greater than $21 per month in urban areas and $17 per month in rural areas.

For those persons needing assistance with their bill for local phone service, the Lifeline Program is available by contacting their local phone company. Eligible individuals may receive up to a $10.50 reduction in the monthly local service charge. Individuals who can provide proof, in the form of a medical card or Vision card, that they are currently receiving any of the following benefits are eligible for assistance from the Kansas Lifeline Program: Food Stamps, General Assistance, Supplemental Security Income (SSI), Temporary Assistance to Families, Medicaid, and United Tribes Food Distribution Program. As part of its order today, the Commission directed Staff to open an investigation into the Lifeline Program, regarding whether the amount of assistance is sufficient.

Docket No. 01-GIMT-082-GIT

ATTACHMENT 13

PSC NEWS
Missouri Public Service Commission

Contact: Kevin Kelly | Phone: (573) 751-9300 | *Governor Office Building, Suite 900*
FY-02-166

SOUTHWESTERN BELL PROPOSED TARIFFS TO TAKE EFFECT MAY 6

Jefferson City (May 1, 2002)---Tariffs which will adjust a number of rates for various telephone services for Southwestern Bell Telephone Company will go into effect, as filed by the state's largest telephone company, on May 6, 2002.

Under tariffs filed by Southwestern Bell, rates will increase for a number of services including various operator services, toll services and certain non-basic or vertical services such as Call Waiting, Call Forwarding and Caller ID. Southwestern Bell Telephone Company is also proposing to decrease rates for certain residential directory listings and other miscellaneous services. **The basic monthly telephone rates for one -party residential and business customers of Southwestern Bell Telephone Company will not change under this filing.**

Non-basic telephone rates for approximately 120 services will increase by up to 8 percent under Southwestern Bell's filing which is in accordance with legislation passed by the Missouri General Assembly in 1996. That legislation granted more pricing flexibility to competitive telephone companies while ensuring that customers pay reasonable charges for their services (**called price cap regulation**). Under state law, telephone rate changes must be filed with the Missouri Public Service Commission. The Commission then ensures that those changes comply with the law.

The Commission, in an order issued in December 2001, determined that other services such as operator services and toll rates are competitive offerings and as such Southwestern Bell Telephone Company should have the ability to adjust those rates, if they choose to do so, on 10 days notice to the Commission and affected customers. As with other telecommunications providers offering competitive services, the marketplace will determine the price.

Under Southwestern Bell's filing, various operator services will increase by between 7 percent and 13 percent depending on the type of service. In addition, Southwestern Bell Telephone Company's toll rates will change. As part of its filing, Southwestern Bell will change the way it charges for those calls. Previously, long distance calls were also mileage sensitive. Under this filing, Southwestern Bell will eliminate the mileage component of charging for long distance calls by instituting a flat per-call rate irrespective of mileage considerations. Under flat rate pricing, some calls will be priced higher and some calls will be priced lower compared to the current distance sensitive pricing method. As a result, some customers might actually see their long distance bill drop.

Southwestern Bell serves approximately 2.7 million access lines in Missouri.

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